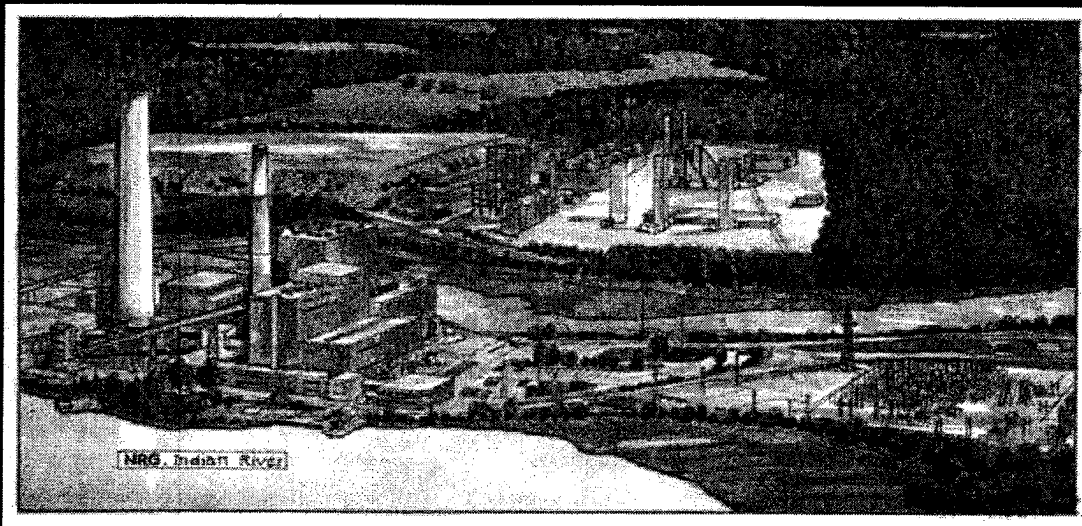


NRG Energy, Inc.

Proposed Indian River IGCC Facility Millsboro, Delaware



Construction of Innovative Base Load Generation For Delaware

Appendices – Volume 1

Request for Proposals :: Delmarva Power & Light

**Long-Term Supply of Innovative Clean Coal
Capacity and Energy**



December 17, 2006



Confidential: In accordance with the Delaware Freedom of Information Act, 29 Del. C. §10002(g), the following contains trade secrets and commercial or financial information of NRG Energy, Inc. and its subsidiaries that is of a privileged or confidential nature.

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Appendix 1

Power Purchase Agreement

REDACTED

REDACTED

Appendix 2

Variable Interest Entity Analysis

Appendix 3
Design and Engineering

- **Basis Of Design**
- **Engineering Drawings**

REDACTED

Appendix 5

Electrical Interconnection

- **PJM Interconnection Feasibility Study**
- **PJM System Impact Study Agreement**

PJM Interconnection Feasibility Study

VIA FEDERAL EXPRESS
Confidential

September 27, 2006

Peter Wybierala
NRG Energy, Inc.
211 Carnegie Center
Princeton, NJ 08540

Dear Peter:

INDIAN RIVER 630 MW (Q42) FEASIBILITY STUDY

Attached is a report documenting the results of the Indian River 630 MW (Q42) Feasibility Study. The results of this Feasibility Study is predicated on a year 2011 transmission system based upon PJM's best assumptions at the present time for load growth and connection of proposed new generation additions. The project was evaluated for system normal conditions and single contingency outage conditions associated with Generator Deliverability analysis and tower line outages. A circuit breaker short circuit duty screening was also performed.

Feasibility studies are performed to provide the generation developer with ballpark reinforcement cost and timing information concerning both direct connection facilities and potential transmission network upgrades. The analysis inherently has to include assumptions regarding existing uncertainties; therefore, the results should be used in this context.

Pursuant to Section 36.3 of the PJM Tariff, enclosed is an Impact Study Agreement for your consideration. The Agreement must be executed within thirty days (no later than **October 16, 2006**) to maintain the project's position in the queue.

The costs for the Feasibility Study are being tabulated, and you will receive an invoice in the near future.

If you wish to arrange a meeting during which we will review the Feasibility Study results in detail, please call me at (610) 666-4297 or email Burdis@pjm.com

The following information is provided for wire transfers: Bank: PNC Bank, NA, New Jersey; ABA Number: 031-207-607; Account Number: 8013589826. Please e-mail Diane Lake at laked@pjm.com with the project name, queue number, date and amount of wire.

Sincerely,

Joseph M. Burdis
Sr. Consultant/Engineer
System Planning Department

JMB\dml: #388619
Enclosures

cc: Via U.S. Mail (w/enclosure):
Anthony Iannacone, PECO
William Mitchell, PHI
Tom Wakeley, PECO
Glenn Catenacci, PSE&G

PJM Office of the Interconnection Staff (w/enclosure):
File

***PJM Generator Interconnection
#Q42 Indian River 630 MW
Feasibility Study Report***

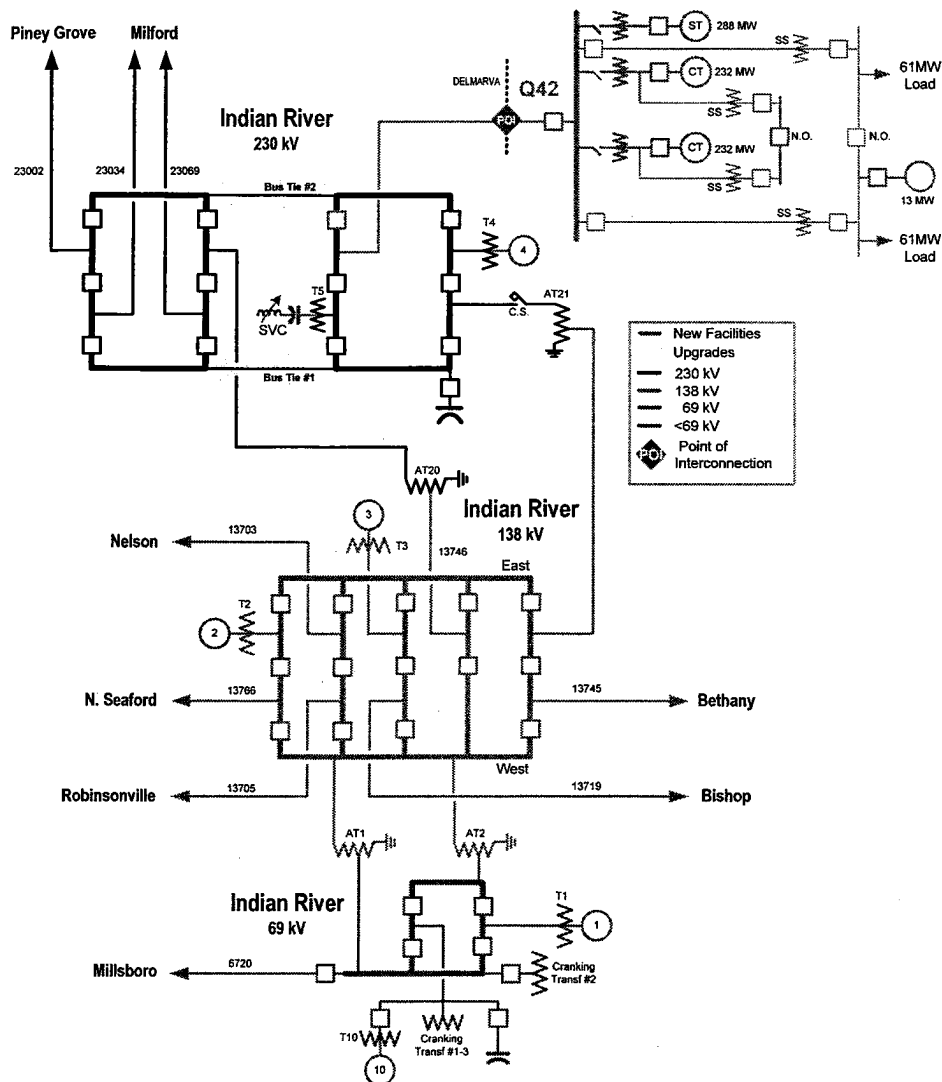
September 2006
DMS # 386162

General

Project Q42 is a NRG Power Marketing, Inc. 630 MW (Net Summer Capacity Resource) IGCC (Integrated Gas Combined Cycle) generating facility consisting of two 232 MW gas turbines, one 288 MW steam turbine and 122 MWs of air separator load. Project Q42 is located at the Indian River Power Plant property, at Power Plant Road, Dagsboro, Sussex County, Delaware. Project Q42 is scheduled for commercial operation in June 2011.

Direct Connection Requirements

Project Q42 can be connected to the Indian River 230 kV bus as shown on the one line diagram below.



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Interconnection Customer Scope of Work

Queue Q42 Interconnection Customer has assumed full responsibility for design and construction of all facilities associated with the Q42 generating station including all facilities shown on the Interconnection Customer side of the POI (Point of Interconnection) on the one line diagram on page 2.

Delmarva Scope of Direct Connection work

\$1,401,000 At Indian River Substation – add one 230 kV circuit breaker and equipment (disconnect switches, relaying metering, etc.) required to provide a terminal position for a short 230 kV line to the Q26 site.

\$ 441,000 * Construct a 230 kV line (approx 0.5 mile*) from Indian River 230 kV station to Interconnection Customer's Point of Interconnection.

\$1,842,000 Total Estimated Attachment Facilities Cost

The attachment facilities are estimated to take **18 months** to construct.

** **Note** – This estimate is based on an assumed location for Q42 generation. NRG must provide specific site information for the Impact Study.*

Network Impacts

The Queue Q42 project was studied as a **630 MW (Net) Capacity injection into the Indian River 230 kV substation**. Q42 was evaluated for compliance with reliability criteria for summer peak conditions in 2011. Potential network impacts were as follows:

Generator Deliverability (Single Contingency)

1. Indian River 230kV bus ties #1 and #2 are contingency overloaded at **106% (2124 Amps or 846 MVA)** for loss of one bus tie on the other. The bus ties are rated (summer emergency) for 2000Amps (**796 MVA**).
2. The segment of 230kV line 220-46 from Ridley to Printz contingency loading increases from 99% (prior to Q42) to **102%** (after the addition of Q42) of its emergency rating (**1432 MVA**) for the outage of the Eddystone to Island Rd 230 kV line 220-23. Q42 generation contributes **41 MW** to the contingency loading of line 220-46.

Multiple Facility Contingency

(Double Circuit Towerline contingencies only. Stuck breaker and bus fault contingencies will be performed for the Impact Study)

No problems identified.

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3

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Short Circuit

No problems identified for the PJM transmission system or the Delmarva underlying system.

NRG circuit breaker "Indian River 69kV CB7060" was identified as being overstressed at 104.2% of short circuit interrupting rating as a result of adding Q42. NRG should consider replacement of CB7060.

New System Reinforcements

1. The estimated cost to upgrade Indian River 230 kV bus ties #1 and #2 is **\$414,000**. Estimated construction time is **12 months**.
2. The segment of 230kV line 220-46 from Ridley to Printz is limited by terminal equipment at Printz. The estimated upgrade cost is **\$800,000**. Estimated construction time is **18 months**.

Contribution to Previously Identified Overloads

(Overloads initially caused by prior Queue positions with additional contribution to overloading by Queue Q42. Queue 42 will have a % allocation cost responsibility which will be calculated and reported for the Impact Study)

3. Queue Q42 contributes approximately 39 MW, or approximately 4% of the 1000 MVA emergency rating, to the contingency loading of the Bridgewater-Sommerville-Flagtown-Branchburg 230 kV line for the tower outage of 230 kV lines Atlantic-Larrabee and Atlantic-Smithburg. At Q42 position in the Queue the contingency loading of the Bridgewater-Sommerville-Flagtown-Branchburg 230 kV line is at 119% of its emergency rating (1000 MVA after PSE&G required baseline upgrades b169 and b170 are performed).

This thermal reliability criteria violation was originally caused by queue position O66 and additional contributions to the overload were added by Queues P04, P06, and Q26 prior to Queue Q42. To date additional contributions to the overload were also determined for Q47, Q73 and Q74.

Bridgewater-Sommerville-Flagtown-Branchburg 230kV

Queue Project	MW Contribution	Final Loading
Up to O66	60 (above 1000MVA)	106%
P04	29	109%
P06	25	111%
Q26	37	115%
Q42	39	119%
Q47	7	118%
Q73	1	118%
Q74	55	125%

PSE&G is responsible for the Bridgewater-Sommerville-Flagtown-Branchburg 230 kV baseline upgrades b169 and b170 to increase the circuit emergency rating to 1000 MVA. This involves reconductoring of this 12.5 mile circuit with 1590 KCMIL ACSS conductor at an estimated cost of \$22M. To increase the circuit rating to 1255 MVA (necessary to accommodate projects up to Q74) will require reconductoring the circuit with a bundle of two 1033 KCMIL ACSS conductors and rebuild (extent not determined at this time) of some structures. The estimated additional cost to upgrade from 1000 MVA to 1255 MVA is estimated to cost **\$25.0M. Queue Q42 may have a cost allocation responsibility.**

4. Queue Q42 contributes 17 MW to the contingency loading of the English 230/115 kV transformer for the tower outage of 230 kV lines Atlantic-Larrabee and Atlantic-Smithburg. At Q42 position in the Queue the contingency loading of the English 230/115 kV transformer is at 125% of its emergency rating (292 MVA).

This thermal reliability criteria violation was originally caused by queue position O66 and additional contributions to the overload were added by Queues P06 and Q26 prior to Queue Q42. To date additional contributions to the overload was also determined for Q74.

English 230/115 kV Transformer Contingency Loading

Queue Project	MW Contribution	Final Loading
Up to O66	26 (above 292 MVA)	109%
P06	13	113%
Q26	18	120%
Q42	17	125%
Q74	17	131%

The estimated total cost to replace the English 230/115 kV 292 MVA (emergency rating) transformer with a 385 MVA (emergency rating) is **\$ 4.0M. Queue Q42 may have a cost allocation responsibility.**

There are a number of network reinforcements required to mitigate thirty separate thermal overloads identified for the Queue O66 project in New Jersey. Project Q42 contributes (in excess of the threshold for cost allocation – see PJM Tariff) to only two of the thirty thermal overloads as described above; however, as the reinforcements for the thirty overloads have not yet been determined, an assessment of the impact of Q42 on the reinforcements required by Queue O66 was not able to be performed. Evaluation of Queue Q42's impacts on the O66 reinforcements will be performed during the Q42 Impact Study if Queue O66 and Q42 remain in the PJM Generation Interconnection Queue at that time. It is unlikely, but possible, that Queue Q42 will have an impact on the reinforcements for Queue O66.

Potential Issues

Prior to the addition of Q42 the Island Road to Eddystone 230 kV line 220-23 was contingency loaded to 96% of its emergency rating (1411 MVA) for the outage of the Mc Dade-Ridley-Morton 230 kV line 22046. After the addition of Queue Q42 the Island Road to Eddystone 230 kV line 220-23 was contingency loaded to 99% of its emergency rating. Queue Q42 contributes 43 MW to the increased loading of this facility.

5. The limiting elements for 220-23 line are 230kV circuit breakers and terminal equipment. If required, the upgrade cost is estimated at **\$800,000**. Estimated construction time is **18 months**.

PJM System Impact Study Agreement



955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

November 8, 2006

Mr. Peter Wybierala
NRG Energy, Inc.
211 Carnegie Center
Princeton NJ 08540

Re: Q42 - System Impact Study Agreement

Dear Mr. Wybierala:

Enclosed, for your file, is an executed copy of the System Impact Study Agreement for the above referenced project.

If you have any questions, please feel free to contact me at 610-666-4725.

Sincerely,

A handwritten signature in cursive script, reading 'Diane M. Lake'.

Diane M. Lake
Generation Interconnection Administrator
System Planning Department

Encl.

SYSTEM IMPACT STUDY AGREEMENT

10-30-06 A11:15 IN

RECITALS

1. This System Impact Study Agreement, dated as of September 27, 2006, is entered into, by and between NRG Power Marketing, Inc. ("Interconnection Customer") and PJM Interconnection, L.L.C. ("Transmission Provider") pursuant to Part IV of the PJM Interconnection, L.L.C. Open Access Transmission Tariff ("PJM Tariff").
2. Pursuant to Section 36.2 or Section 41.2, as applicable, of the PJM Tariff, the Transmission Provider has completed a Generation Interconnection Feasibility Study and provided the results of that study to the Interconnection Customer.
3. Pursuant to Sections 36.3.2, 41.3.2, 110.2 or 111.2, as applicable, of the PJM Tariff, the Interconnection Customer (i) requests that the Transmission Provider perform a System Impact Study, and (ii) agrees to submit a deposit in the amount of fifty thousand dollars (\$50,000.00) for a proposed interconnection of a generation facility of more than 20 MW or for a proposed interconnection of Merchant Transmission Facilities; or the estimated cost of the System Impact Study for a proposed interconnection of a generation facility of 20 MW or less but greater than 2 MW, as applicable, to the Transmission Provider which will be applied to the Interconnection Customer's cost responsibility for the System Impact Study.

PREVIOUS SUBMISSIONS

4. Except as otherwise specifically set forth in an attachment to this agreement, Interconnection Customer represents and warrants that the information provided in Section 3 of the Generation Interconnection Feasibility Study Agreement dated June 1, 2006, for the project designated (Q42) Indian River 630 MW by and between the Interconnection Customer and the Transmission Provider is accurate and complete as of the date of execution of this System Impact Study Agreement. Interconnection Customer further provides the following information and represents and warrants that said information is true and correct:
 - a. Specify whether the generation to be interconnected to the Transmission System is to be a Capacity Resource or an Energy Resource.
Capacity Resource
 - b. Identification of evidence of initial application for the necessary air permits (attach documentation separately):
Per attached electronic correspondence dated 10/16/06 from the Delaware DNR
 - c. Other information not previously provided that may be relevant to the study being conducted hereunder (attach generator data for stability study analysis):

PURPOSE OF THE SYSTEM IMPACT STUDY

5. Consistent with Section 36.4 or Section 41.4 of the PJM Tariff, the Transmission Provider, in consultation with the affected Transmission Owner(s), shall conduct a System Impact Study that identifies the system constraints relating to the Interconnection Requests being evaluated in the study and the Attachment Facilities, Local Upgrades, and Network Upgrades necessary to accommodate Interconnection Customer's Interconnection Request. It is expected that the System Impact Study will be completed by May 30, 2007. In the event that the Transmission Provider is unable to complete the System Impact Study by that date, the Transmission Provider shall notify the Interconnection Customer and explain the reasons for the delay.
6. The System Impact Study conducted hereunder will provide more comprehensive estimates of the cost and length of time required to accommodate the Interconnection Customer's Interconnection Request than those developed through the Feasibility Study performed for the Interconnection Customer. These estimates shall represent a good faith attempt to determine the cost of necessary facilities and upgrades to accommodate the Interconnection Customer's Interconnection Request, and the Interconnection Customer's cost responsibility for them, but shall not be deemed final or binding. The scope of the System Impact Study may include a) an assessment of sub-area import deliverability, b) an assessment of sub-area export deliverability, c) an assessment of project related system stability issues, d) an assessment of project related short circuit duty issues, e) a contingency analysis consistent with the Applicable Regional Reliability Council's reliability criteria, f) an assessment of regional transmission upgrades that most effectively meet identified needs, and g) an analysis to determine cost allocation responsibility for required facilities and upgrades. Final estimates will be developed only upon execution of a Facilities Study Agreement in accordance with Part IV of the PJM Tariff. The System Impact Study necessarily will employ various assumptions regarding the Interconnection Request, other pending requests, and PJM's Regional Transmission Expansion Plan at the time of the study. **IN NO EVENT SHALL THE SYSTEM IMPACT STUDY IN ANY WAY BE DEEMED TO OBLIGATE THE TRANSMISSION PROVIDER OR THE TRANSMISSION OWNERS THAT MAY INTERCONNECT WITH THE INTERCONNECTION CUSTOMER TO CONSTRUCT ANY FACILITIES OR UPGRADES.**

CONFIDENTIALITY

7. The Interconnection Customer agrees to provide all information requested by the Transmission Provider necessary to complete the System Impact Study. Subject to paragraph 8 of this System Impact Study Agreement and to the extent required by Section 38 or Section 43 of the PJM Tariff, information provided pursuant to this Section 7 shall be and remain confidential.
8. Until completion of the System Impact Study, the Transmission Provider shall keep confidential all information provided to it by the Interconnection Customer. Pursuant to Section 36.4.2 or Section 41.4.2 of the PJM Tariff, upon completion of the System Impact Study, the Transmission Provider shall provide a copy of the System Impact Study to all Interconnection Customers whose Interconnection Requests were evaluated in the System

Impact Study along with all related work papers. Additionally, Transmission Provider shall post on Transmission Provider's OASIS (i) the existence of the System Impact Study, (ii) the Interconnection Customers that had Interconnection Requests evaluated in the System Impact Study, (iii) the location and size in megawatts of each Interconnection Customer's generation project, and (iv) each Interconnection Customer's priority for the interconnection of its generation facility. Additionally, Interconnection Customer acknowledges and consents to such other disclosures as may be required under the PJM Tariff or the FERC's rules and regulations.

9. Interconnection Customer acknowledges that, consistent with Part IV of the PJM Tariff, the Transmission Owners will participate in the System Impact Study process and that the Transmission Provider may disseminate information to the Transmission Owners and rely upon them to conduct part or all of the System Impact Study.

COST RESPONSIBILITY

10. The Interconnection Customer shall reimburse the Transmission Provider for the actual cost of the System Impact Study in accordance with its cost responsibility as determined under Section 36.3.1 or Section 41.3.1 of the PJM Tariff. The \$50,000 deposit paid by the Interconnection Customer pursuant to Section 36.3.2 or Section 41.3.2 of the PJM Tariff shall be applied toward the Interconnection Customer's System Impact Study cost responsibility. In the event that the Transmission Provider anticipates that the Interconnection Customer's study cost responsibility will substantially exceed \$50,000, the Transmission Provider shall provide the Interconnection Customer with an estimate of the study costs and the Interconnection Customer's cost responsibility. Within 10 days of receiving such estimate, the Interconnection Customer may withdraw its Interconnection Request by providing notice to the Transmission Provider, in which event the \$50,000.00 deposit paid to Transmission Provider shall be refunded. Unless the Interconnection Request is withdrawn within 10 days, the Interconnection Customer agrees to pay the amount of its actual System Impact Study cost responsibility.

DISCLAIMER OF WARRANTY, LIMITATION OF LIABILITY

11. In analyzing and preparing the System Impact Study, the Transmission Provider, the Transmission Owner(s), and any other subcontractors employed by the Transmission Provider shall have to rely on information provided by the Interconnection Customer and possibly by third parties and may not have control over the accuracy of such information. Accordingly, NEITHER THE TRANSMISSION PROVIDER, THE TRANSMISSION OWNER(S), NOR ANY OTHER SUBCONTRACTORS EMPLOYED BY THE TRANSMISSION PROVIDER MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE OR DEALING, CUSTOM, USAGE IN THE TRADE OR PROFESSION, OR OTHERWISE, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH REGARD TO THE ACCURACY, CONTENT, OR CONCLUSIONS OF THE SYSTEM IMPACT STUDY. The Interconnection Customer acknowledges that it has not relied on any representations or warranties not specifically set forth herein and that no such

representations or warranties have formed the basis of its bargain hereunder. Neither this System Impact Study Agreement nor the System Impact Study prepared hereunder is intended, nor shall either be interpreted, to constitute agreement by the Transmission Provider or the Transmission Owner(s) to provide any transmission or interconnection service to or on behalf of the Interconnection Customer either at this point in time or in the future.

12. In no event will the Transmission Provider, Transmission Owner(s) or other subcontractors employed by the Transmission Provider be liable for indirect, special, incidental, punitive, or consequential damages of any kind including loss of profits, whether arising under this System Impact Study Agreement or otherwise, even if the Transmission Provider, Transmission Owner(s), or other subcontractors employed by the Transmission Provider have been advised of the possibility of such a loss. Nor shall the Transmission Provider, Transmission Owner(s), or other subcontractors employed by the Transmission Provider be liable for any delay in delivery or of the non-performance or delay in performance of the Transmission Provider's obligations under this System Impact Study Agreement.

Without limitation of the foregoing, the Interconnection Customer further agrees that Transmission Owner(s) and other subcontractors employed by the Transmission Provider to prepare or assist in the preparation of any System Impact Study shall be deemed third party beneficiaries of this provision entitled "Disclaimer of Warranty/Limitation of Liability."

MISCELLANEOUS

13. Any notice or request made to or by either party regarding this System Impact Study Agreement shall be made to the representative of the other party as indicated below.

Transmission Provider

PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

Interconnection Customer


Peter Wybierala
NRG Energy, Inc.
211 Carnegie Center
Princeton, NJ 08540

14. No waiver by either party of one or more defaults by the other in performance of any of the provisions of this System Impact Study Agreement shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
15. This System Impact Study Agreement or any part thereof, may not be amended, modified, or waived other than by a writing signed by all parties hereto.

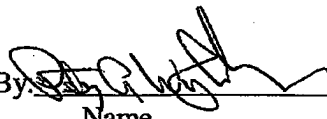
16. This System Impact Study Agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors, and assigns.
17. Neither this System Impact Study Agreement nor the System Impact Study performed hereunder shall be construed as an application for service under Part II or Part III of the PJM Tariff.
18. The provisions of Part IV of the PJM Tariff are incorporated herein and made a part hereof.
19. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the PJM Tariff.
20. This System Impact Study Agreement shall be effective as of the date of the Interconnection Customer's execution of it and shall remain in effect until the earlier of (a) the date on which the Transmission Provider tenders the completed System Impact Study and a proposed Facilities Study Agreement to Interconnection Customer pursuant to Section 36.6 or Section 41.5 of the PJM Tariff, or (b) termination and withdrawal of the Interconnection Request(s) to which the System Impact Study hereunder relates.

IN WITNESS WHEREOF, the Transmission Provider and the Interconnection Customer have caused this System Impact Study Agreement to be executed by their respective authorized officials.

Transmission Provider: PJM Interconnection, L.L.C.

By:  MANAGER 11/1/06
Name Title Date
Paul McLaverty
Printed Name

Interconnection Customer: NRG Power Marketing, Inc.

By:  Mgr. NRG Transmission 10/25/06
Name Title Date
Peter A. Wypraval
Printed Name

Appendix 6

NRG Environmental & Greenhouse Gas Initiatives

- **econrg - NRG's Environmental Commitment Initiative**
- **NRG's Carbon Policy**
- **Press Release on GreenFuel's Technology Initiative at Dunkirk**
- **Press Release on Padoma Wind Acquisition**

econrg - NRG's Environmental Commitment Initiative



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NRG is continually exploring ways to enhance environmental quality in our business – for our communities and stakeholders through a variety of activities – big and small – in which many of us are involved.

Reducing the impact we have on the environment requires more than words. At NRG, our success stems directly from our committed, resourceful and innovative employees.



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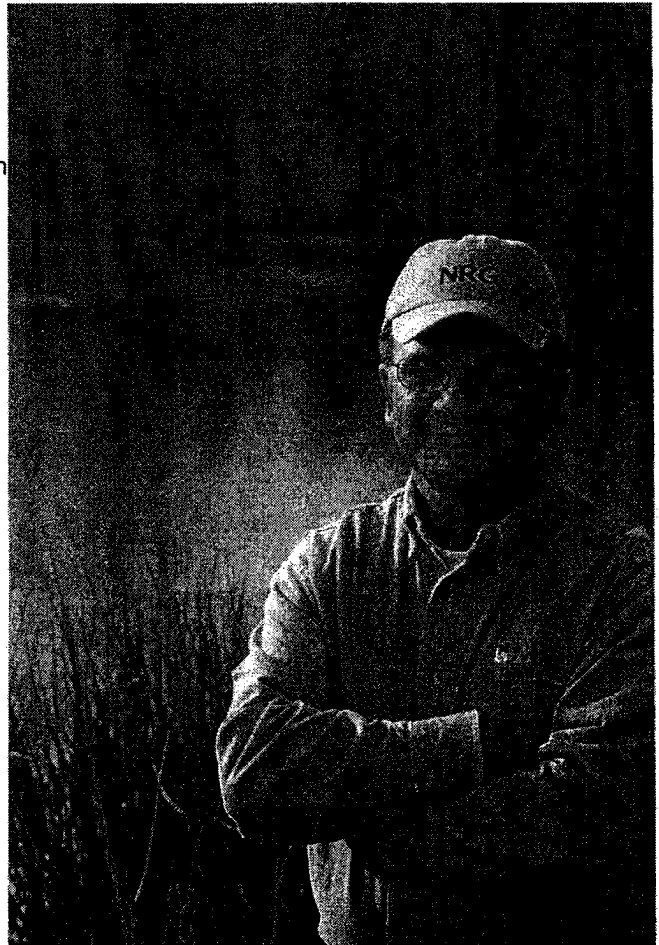
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At NRG we say what we mean and we honor our word. We understand that honest and straightforward communication with our customers, stakeholders and neighbors is the foundation of a successful business. NRG's employees consistently work to improve the environments we operate in. We do this not only through initiatives like our **Oxbow Reforestation Project**, **NRG Texas' EcoCenter**, and the myriad of other activities shown below, but by **maintaining and improving** our existing generating fleet.



One of the 23 ponds at NRG Texas' EcoCenter



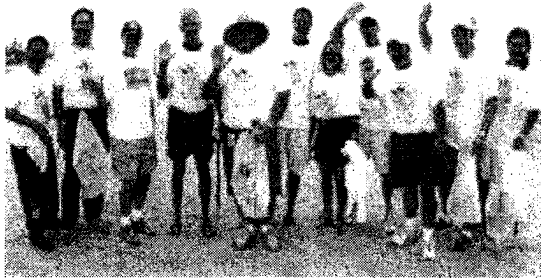
Gary Ellender, Regional Environmental Manager, in front of the Oxbow Reforestation Project in Shreveport, Louisiana

El Segundo Power

El Segundo Power Station, in Carlsbad, California is committed to raising understanding and awareness of the environment, contributing time and money to cleaning up local beaches and helping the community whenever they can. Thanks to the continued efforts of its employees, NRG's El Segundo Power has been honored with the California State Senate Certificate of Recognition, the California State Assembly Certificate of Recognition, the El Segundo Chamber of Commerce 2003 Community Betterment Award and a Congressional Certificate Commendation.

Beauty and the Beach

A small group of El Segundo employees getting together to clean up the beach grew into the annual *Beauty and the Beach* clean up event. Currently in its fifth year, the event now involves three local communities.



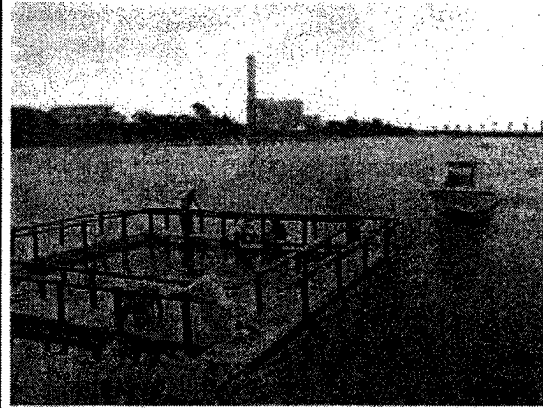
Trees to the Seas

This past March, a team from El Segundo planted trees on a highway median near the Los Angeles Airport. The team will continue to care for the sponsored trees during the critical first three years of life.



White Seabass Conservation

NRG supports conservation the research conducted by Hubbs-SeaWorld Research Institute (HSWRI) at the Agua Hedionda Lagoon in Carlsbad, CA. Hundreds of thousands of white seabass are cultured from eggs, then tagged and released when they are fully grown. This program is administered by the California Department of Fish and Game, and is avidly supported by fishermen throughout southern California. With fisheries like the white seabass in a depressed condition, programs like this are critical in helping to maintain ecological stability.



Eagle Festival

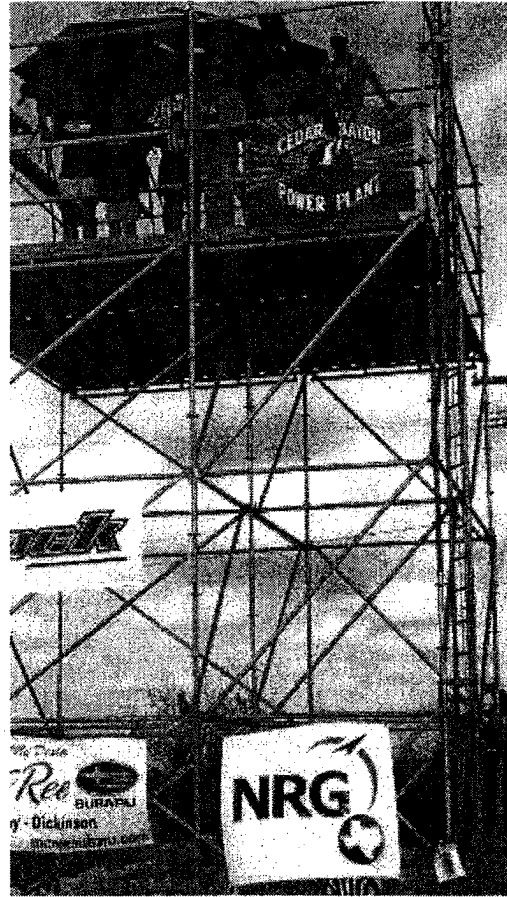
NRG's Middletown station provides the use of its third floor conference room as a viewing area for the Connecticut Audubon Society's annual *Eagle Festival*. Overlooking the Connecticut River, this location offers an excellent view of a common Bald Eagle gathering area. Employees at Middletown have witnessed a significant increase in the number of eagles in the area over the past five years.

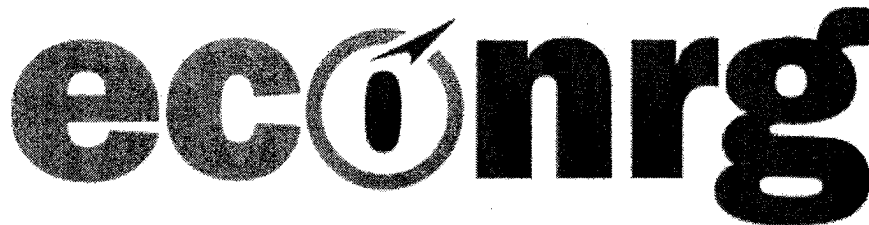




The Big Sit

This past April, the Cedar Bayou Station hosted a team of bird watchers in the *Big Sit*, a Great Texas Birding Classic bird-count contest jointly sponsored by the Texas Parks & Wildlife Department and the Gulf Coast Birding Observatory. Texas has the largest number of bird species in North America and during the contest, bird species seen and/or heard can be counted. The contest is termed the *Big Sit* because contestants sit or stay within a 17 foot radius for 24 hours counting bird species. NRG's Cedar Bayou facility built a 20 foot high viewing platform for the team (which included NRG Texas personnel) by the on-site cooling pond, allowing maximum viewing of Trinity Bay, freshwater ponds and the cooling pond. The team counted a total of 111 species of birds to win the event.





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NRG Texas' **EcoTeam** is an award-winning environmental outreach program designed to promote environmental awareness and conservation through partnerships. At the heart of the **EcoTeam's** program is the NRG Texas **EcoCenter**. Through **collaboration and education**, the **EcoTeam** increases awareness of the need for environmental stewardship.

The **EcoCenter** is a multi-use facility located at NRG's Cedar Bayou Station, with twenty-three earthen ponds, four shallow above ground ponds, a greenhouse, storage for boats and equipment, a thirty seat classroom, offices and a laboratory.

Projects at the **EcoCenter** include prairie preservation, aquaculture, wetland plant propagation and **wetland restoration**. Habitat improvement projects such as fencing to segregate livestock from wildlife, and wetland enhancements to improve water quality are also conducted by the **EcoTeam**.



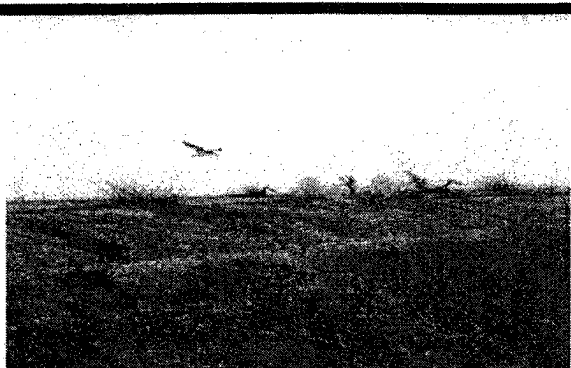
Texas Live Oak at Allens Creek estimated to be between 400 and 500 years old.



Rice Cut Grass, aptly named for its sharp blades, being grown in one of the 23 ponds at the **EcoCenter**.

At the **EcoCenter**, specific species of plants are grown for use in restoration projects in and around Galveston Bay.

The *Brays Bayou Pilot Project*, a wetland project to create freshwater and estuarine habitat to treat urban runoff from adjacent neighborhoods, will use native wetland plants such as Rice Cut Grass, pictured to the left. Rice Cut Grass is harvested at the **EcoCenter** for the *Brays Bayou Pilot Project* because it is not susceptible to predation by invasive species such as nutria and grass carp.

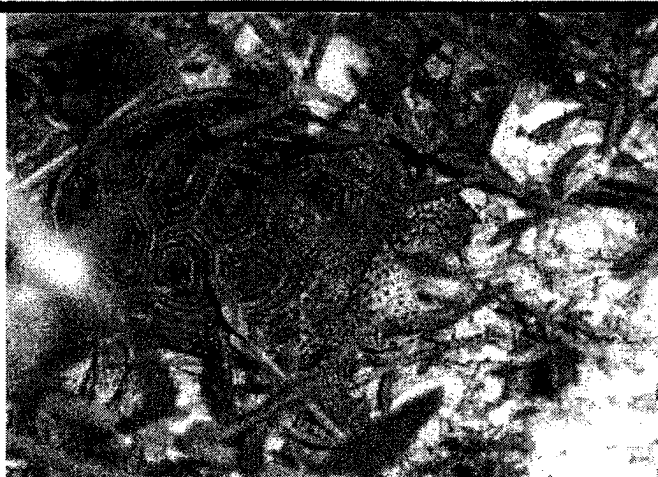


Colonial Waterbird Nesting Census at STP.

STP has the largest population of breeding Gull-billed Terns on the Gulf Coast. For the ninth year in a row, Matagorda County which includes STP, leads the nation in the Audubon Christmas Bird Count with 251 species identified.



Gull-billed Tern nest at STP

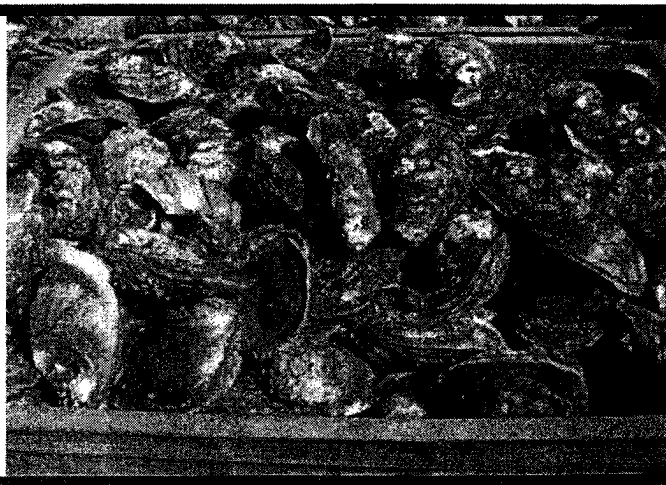


A Diamondback Terrapin found on Tiki Island

The marshy shoreline of Galveston Bay is home to several threatened and endangered species, such as the **Diamondback Terrapin**, that are subject to a variety of threats including habitat destruction. Once nearly extinct, the terrapin can adjust to the salty ocean water and are the only turtles found in the tidal waters and shoreline marshes of Galveston Bay.

The **EcoTeam** helped build a breakwater at Tiki Island, preserving a critical habitat area in the Galveston Bay area. Plants grown at the **EcoCenter** were then planted to help restore the shoreline and habitat.

Area restaurants will recycle oyster shell through a voluntary program. The shell will be stockpiled at three locations around Galveston Bay including the **EcoCenter**. Ultimately, the shell will be used for a large-scale reef construction project in Galveston Bay.





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NRG Texas has participated in over 20 large-scale wetland restoration projects in Galveston Bay. The **EcoCenter** grew, donated and planted wetland plants to provide soil stabilization and habitat in estuarine and freshwater environments.



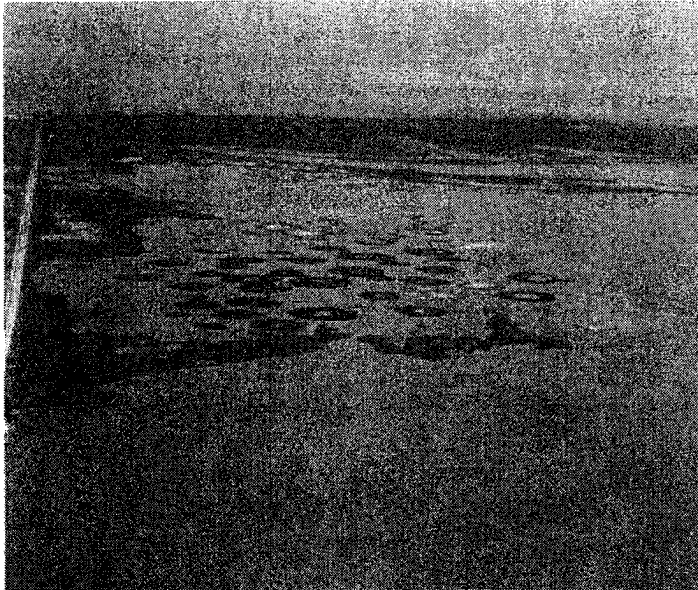
Pierce Marsh

Pierce Marsh is a 230 acre estuarine marsh restoration project that now hosts several volunteer planting events including *Bay Day* and *Grasses in Classes*.

Delehide Cove restoration project in Galveston Bay protects shoreline and critical habitats including sea grasses.



Delehide Cove

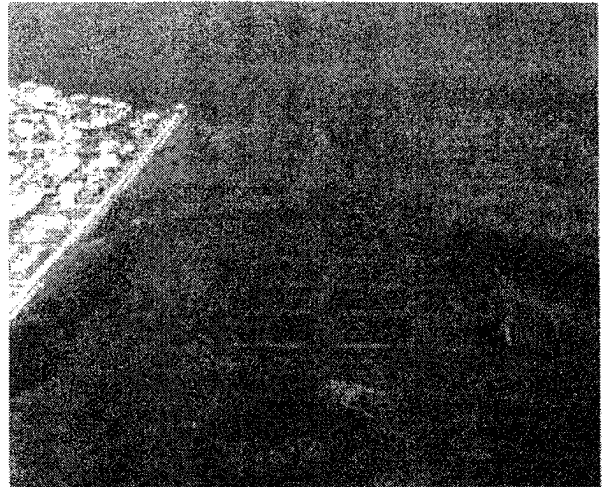


Jumbile Cove

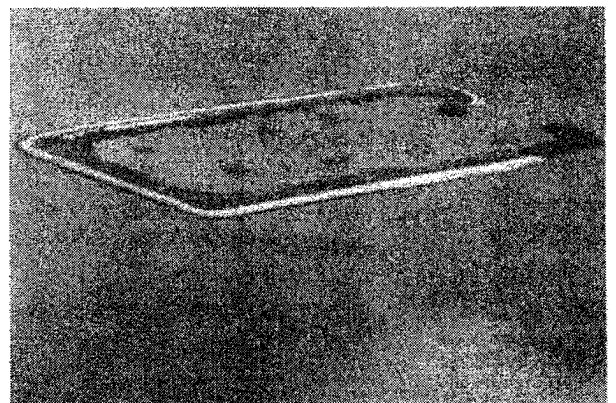
Jumbile Cove, located on the west end of Galveston Island, was the first local large scale restoration project to use the "mounding technique" to build estuarine wetlands.

Dickinson Bay Island is a five-acre island that was constructed to provide diverse habitats including estuarine marsh, oyster reefs, bird nesting and roosting. This project addresses several high priorities in the Galveston Bay Estuary Program's Galveston Bay Plan and was identified as a critical habitat for colonial waterbirds.

The Galveston Island State Park restoration project was built to protect the eroding shoreline along North Galveston Island.



The Galveston Island State Park



Dickinson Bay Island

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With a strong focus on education and outreach, the **EcoTeam** promotes environmental awareness and conservation through various partnerships and



Grasses in Classes Pilot Program; the spring planting

events. The *Grasses in Classes Pilot Program*, sponsored by the Galveston Bay Foundation, educates students from local schools in **wetland preservation**. Wetland plants from the **EcoCenter** are grown on-campus during the school year. By growing the plants for a full season, students learn basic monitoring techniques including salinity, pH, alkalinity, transpiration, and plant growth. In the spring, the students collect the plants and, together with other volunteers, plant them local restoration sites.



Marsh Mania volunteers planting in Galveston Bay.

Marsh Mania is a Galveston Bay Foundation-sponsored volunteer day to promote environmental awareness and stewardship. Volunteers plant at several locations around

Galveston Bay. As many as 200 volunteers participate at each location. Wetland plant species for *Marsh Mania* events are provided by the **EcoCenter**.

The *Watershed Counts Festival* is an annual event to promote environmental awareness in the inner city. The Festival features cultural exhibits



and their relationship to environmental stewardship. NRG Texas provides a 30' x 30' mobile wetland exhibit, containing over 3,000 wetland plants and designed to educate participants about wetlands. Four featured areas within the wetland exhibit identify different plant and animal species that live in wetlands.



Students learning at the Watershed Counts Festival

Bay Day, a Galveston Bay Foundation sponsored event educates and informs users of Galveston Bay through exhibits, demonstrations and pro-environmental entertainment. NRG Texas provides a large aquarium exhibit stocked with common and uncommon fish, plants and crustaceans from area waters.



EcoCenter's Galveston Bay Day Exhibit

Central Michigan University's *Alternative Spring Break* students assisted the **EcoTeam** with many projects including wetland plantings, building sand fences and constructing



Alternative Spring Break students working with the *Reef Dome Project*

freshwater wetlands. Pictured to the right, the students assisted with the *Reef Dome Project* which uses constructed concrete domes designed to provide shoreline erosion protection from wave energy and habitat for estuarine organisms.

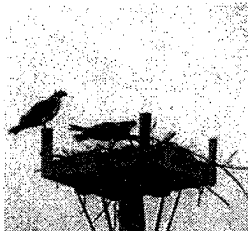


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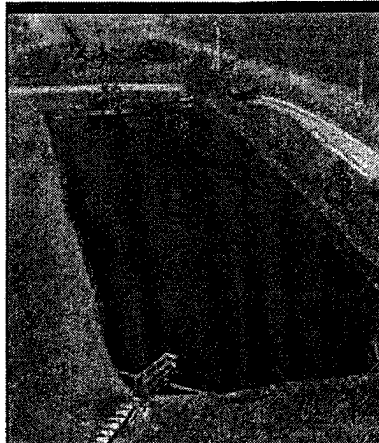
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Ospreys of Norwalk Harbor Station

Several years ago, when a pair of ospreys began settling on a power line near NRG's Norwalk Harbor

Station in Connecticut, workers feared that the birds would be electrocuted. So an NRG team built an alternate platform and helped move the nest away. Since then, the ospreys have returned every year and this past season, a new, younger pair of ospreys began showing interest in one of the other three platforms NRG has built. These birds are now part of more than 350 ospreys in the state, up from only a couple dozen 30 years ago.



Fish Hatchery at NRG's Vienna Station

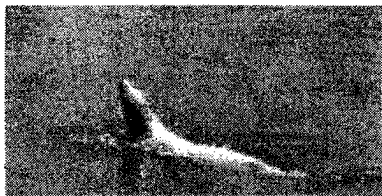
At NRG's Vienna Station in Maryland, Joe Blades voluntarily operates a shad fish hatchery for the Nanticoke River.

Whichever species of shad is depleted is raised in manufactured ponds at the station and released into the river.

The Vienna Station also works with Eastern Shore Fisheries, supporting the operation of an off-site hatchery where Bigmouth Bass are raised and released annually. NRG is a member company, with representation on the board of directors, of the **Nanticoke Watershed Alliance**, an organization dedicated to the conservation of the Nanticoke River watershed. Employees of NRG's Vienna Station routinely volunteer for river cleanup activities.

Sea Lion Rescue

During a routine facility inspection, an operator at NRG's Encina station discovered an injured female California Sea Lion. The Encina Station worked with the Hubbs-Sea World Research Institute and the Carlsbad Aquaculture and Research Institute to safely rescue the sea lion. She was named "Thomasina" after our operator who discovered her.



NRG's Shark Tank



When the **Maritime Aquarium at Norwalk** needed a new salt-water holding tank to help sharks and large fish acclimate before being transferred to the aquarium, NRG's

Norwalk Harbor Station, donated the land, the labor, the electricity and nearly the entire cost for the 31,000-gallon holding tank and had it built right near the water's edge.

Norwalk's Rideshare Initiative

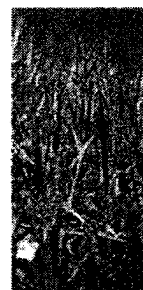
The State of Connecticut has sponsored a ride-share program aimed at reducing the number of vehicles on the road and improving air quality. Operators from NRG's Norwalk Harbor Station took it upon themselves to research and participate in this program. Currently, fourteen of the facility's day-time workers are involved in this project, taking up to thirteen vehicles off of Fairfield County roads and highways and contributing to overall air quality.



Rideshare participants include Jerry Andolena, Scott Rodriguez, Frank Franco, Bob Balsted, Steve Thompson, Don Willett, Gary Phillips, Jeff Dawson, Bob Chaffin, Ed Recchia, Paul Richard, Joe Alfano, Andy Harrington, John MacNevin.

Habitat Friendly Crops

NRG's Vienna Station's Lead Operator Bill Outten, a part time farmer, plants habitat friendly crops on unused portions of the site to enhance environmental quality and local aesthetics.





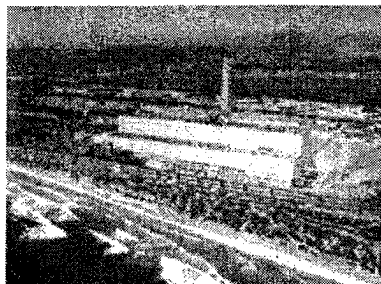
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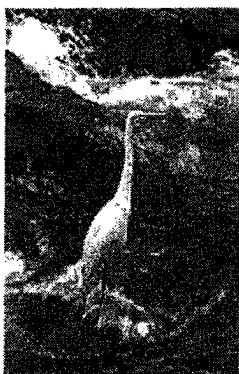
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California Algae Eradication

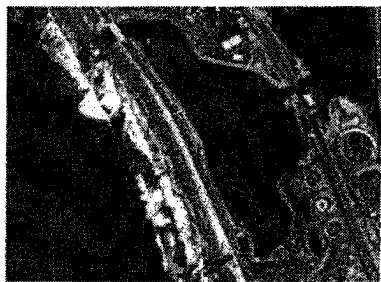


Two divers hired to evaluate native eel grass in the Agua Hedionda Lagoon discovered a mass of green vegetation growing on the lagoon floor. After taking a sample, a senior biologist identified the vegetation as *caulerpa taxifolia*, a highly invasive and destructive strain of genetically modified algae. Originally developed for aquariums, *caulerpa taxifolia* is resistant to cold and thrives in the turbulent waters close to shore. No method to contain the algae had yet been discovered, and the 180 yards found in the lagoon was the first known infestation in the Western Hemisphere. Rather than waiting for a solution to be presented, David Lloyd and the Encina Station focused on solving the problem. And they did.

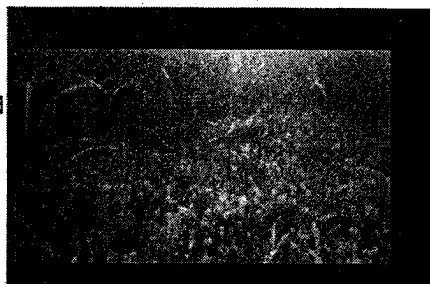


Work to develop a program began within the week and Encina Power funded the initial \$500,000 needed. Only three weeks after the initial discovery, divers were at the lagoon using a new technique developed during backyard experiments to kill the algae.

The Southern California Caulerpa Action Team, a task force comprised of federal and state agencies, was assembled and together with NRG's Encina team raised nearly \$4 million. Working together for over three years, they not only contained, but officially eradicated the *caulerpa taxifolia*. That's why it's so remarkable that the 180 square feet of this algae discovered in the Agua Hedionda Lagoon has been eliminated. Thanks to leadership provided by NRG employees, the inaction which enabled the *caulerpa* growth in the Mediterranean was avoided. As Rachel Woods said in a local paper, "Cabrillo's response was not, 'Oh, my God, somebody has got to do something, it was 'Oh, my God, we've got to do something.'"



For its efforts, NRG's Encina team has received numerous awards including being honored by the National Oceanic and Atmospheric Administration in a ceremony declaring the apparent eradication of the algae.



Caulerpa taxifolia is an algae that smothers everything it grows over, including the ocean floor. Fish won't eat it and as it kills off native vegetation, aquatic life is starved and driven away. Less than a yard of the same algae strain was allowed to spread unchecked across the Mediterranean, devastating natural marine resources.

According to the NOVA special, *Deep Sea Invasion*, the *caulerpa taxifolia* began to grow underneath the Oceanographic Museum of Monaco and as government agencies tried to figure out a solution, spread unchecked over 12,350 acres of shoreline. Warnings from marine biologists of the danger of procrastination fell on deaf ears. The United Nations held a workshop in 1999 recommending strategies to thwart the spread, but the algae had already smothered 50 square miles of seabed along 120 miles of the Mediterranean coastline. In 2001 divers discovered a strain in a bay outside Sydney Australia, hundreds of miles away from its origin.

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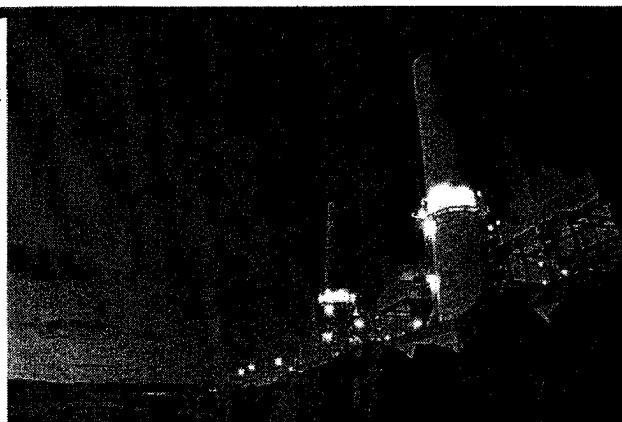
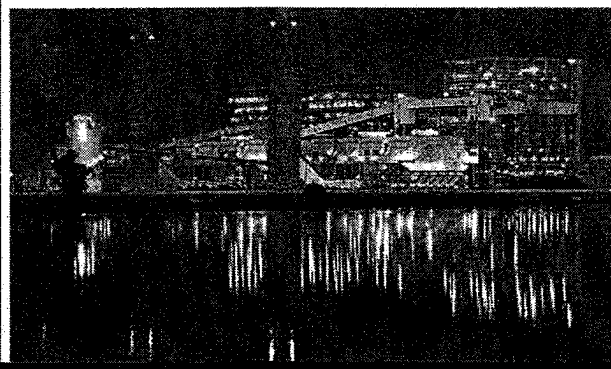
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Continually enhancing the operational and technical capabilities of our generating fleet requires innovation. That's why NRG is aggressively pursuing the advancement of technological initiatives which have the potential to further our ability to provide reliable, affordable and environmentally responsible energy.

We aim to constantly challenge the status quo to determine if there is better way.



For example, we recently announced a partnership to study the **recycling of CO2 emissions** at Dunkirk. The study will explore the effectiveness of a new algae bioreactor technology, which captures CO2 from plant emissions and turns it into commercially usable biofuels.

In addition we also received a Department of Energy award earlier in the year to trial new **mercury reduction technology** at Huntley, which will get underway in 2007.

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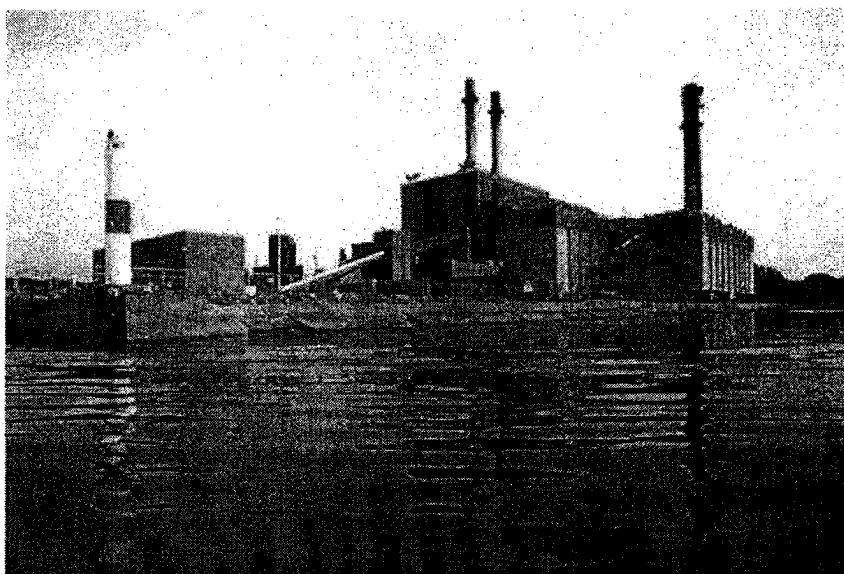
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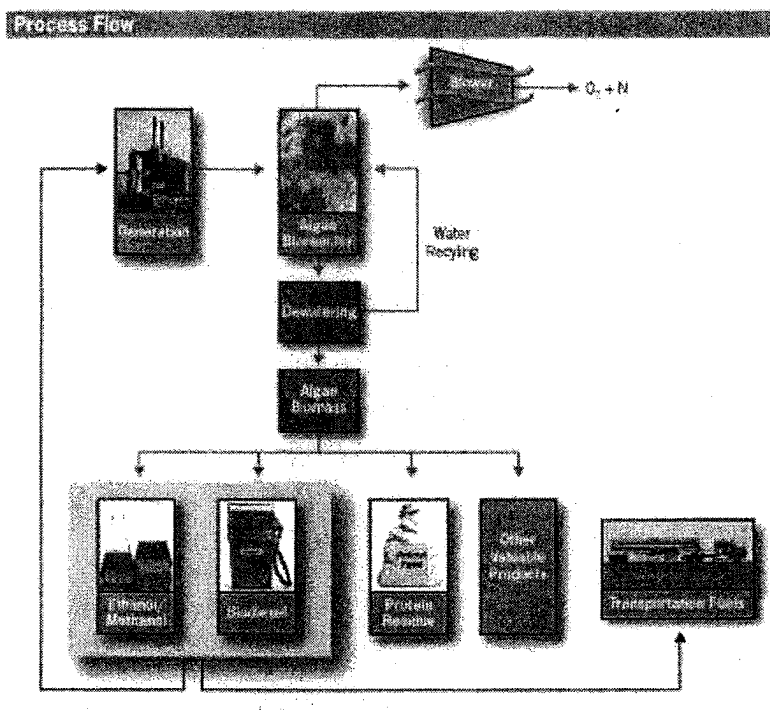
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NRG is part of a joint initiative with **GreenFuel Technologies Corp.** and the New York State Energy Research and Development Authority (NYSERDA) to study carbon dioxide recycling at our Dunkirk facility.

The Emissions-to-Biofuel process takes the flue gas of a power plant and utilizes GreenFuel's algae-bioreactor technology to recycle carbon dioxide (CO₂) into algae biofuel which can be converted to generate commercially usable energy products.





Flue gas or other CO₂ rich gas streams are introduced to the bioreactor, in which algae are suspended in a media with nutrients added to optimize the growth rate. A portion of the media is withdrawn continuously from the bioreactor and sent to dewatering to harvest the algae.

The dewatering operation uses two stages of conventional processing. Primary dewatering increases the algae concentration by a factor of 10 to 30. Secondary dewatering further increases the algal solids concentration to yield a cake suitable for downstream processing or combustion as biomass.

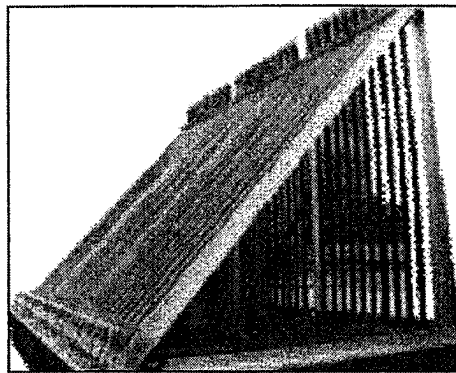
Water removed from the dewatering steps is returned to the bioreactor, with a small purge stream to prevent precipitation of salts. Make-up water is added to maintain the media volume. A blower pulls the flue gas through the bioreactor.

Processing Step	Final Product
Extraction and transesterification	Biodiesel
Fermentation	Ethanol
Anaerobic digestion	Methane
Gasification	Hydrogen, synthesis gas
Drying	Solid biomass

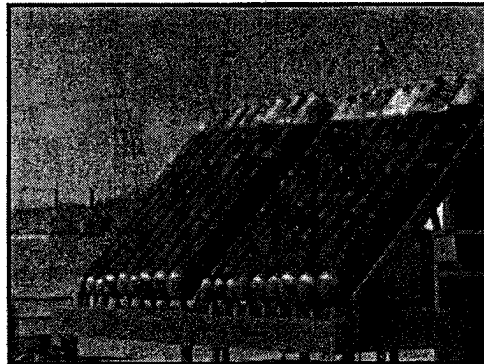
As a rough "rule of thumb" the mass of algae harvested is about half CO₂ by weight. Once a day, the algae are harvested and dried, generating a commercially valuable by-product. A number of industrial processes utilize algae as a raw material: biodiesel can be produced from the oils in the algae; fermentation of the algal biomass generates products ranging from bioethanol to bioplastics; dried algae burned in gasification applications or co-fired with coal can be used to generate power, substituting for other solid fuels; and the raw material can be used as a nutrient supplement in animal and fish feed.

Currently there are few economically attractive options for reducing GHG emissions. GreenFuel is the world's first company to develop a commercially viable algae bioreaction system that can convert flue gases into clean, renewable biofuels and currently has more than a dozen pending patents.

GreenFuel launched its first beta test at the 20 MW cogeneration plant located at the Massachusetts Institute of Technology in July 2004. From that beta test, independent parties confirmed that the GreenFuel's technology delivered 50% CO₂ reduction on rainy days, 82% reduction on sunny days, along with 86% NO_x reduction under all conditions. All algae used in the GreenFuel's system were confirmed by the beta test to be suitable for conversion into liquid biofuels and combustible biomass and these conversions can occur using currently commercially available and proven technologies.



First generation bioreactor installed at MIT Cogeneration Facility in 2004



Second generation bioreactor installed at CCGT facility in Southwest in 2005



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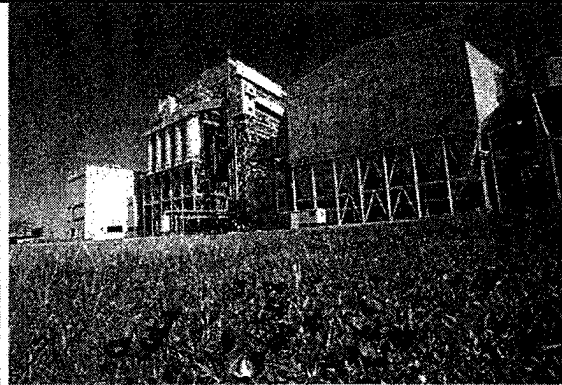
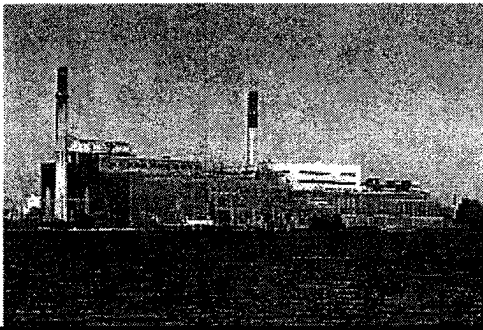
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Carbon Based Mercury Removal

NRG has teamed up with **Praxair, Inc.** and the U.S. Department of Energy to conduct a pilot program at our Huntley Station in Tonawanda, New York examining on-site generation of carbon-based sorbents that increase mercury removal and minimize the impact on fly ash used for concrete production.



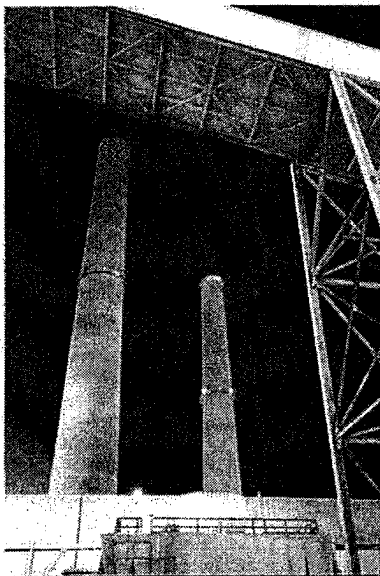
The Intelligent Plant

NRG Texas is working with Pegasus Technologies, Inc. to demonstrate how integrating sensors, controls, and advanced analysis techniques into plant operation can lead to improved economics and removal of mercury from the unit's flue gas.

Beginning this year at the Limestone Station, state-of-the-art sensors and neural network-based optimization and control technologies will be used to maximize mercury removal, as well as optimize the combustion process to increase reductions of NOx and SO2 emissions. The demonstration project's approach is based on the Pegasus "DE3 Intelligent Plant" methodology, which integrates multiple optimization applications such as coal blending, combustion, electrostatic precipitator (ESP) and flue gas desulphurization (FGD) scrubber operation.

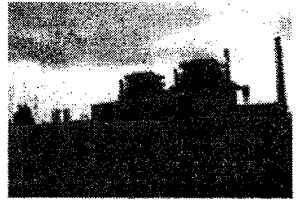
Mercury Monitoring

Mercury monitoring is key to any mercury reduction initiative. Through funding the *EPRI Mercury CEMS TC* project, NRG is supporting significant advances in the mercury CEMS technology currently in developmental stages. The goal is to resolve technical issues involved with adapting the current equipment from controlled laboratory environments to harsher field conditions. The test site in Trimble County, Kentucky will be used by equipment vendors to test calibration methods, improve collection lines, monitor reliability and develop stratification testing techniques.

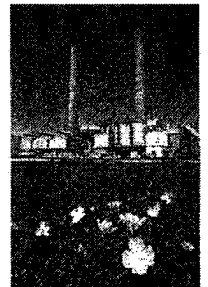


Halogen Addition Testing

The Limestone Station partnered with the Electric Power Research Institute and URS, to test halogen injection as a way to remove mercury. Two different halide containing salt solutions, calcium chloride and calcium bromide, were injected into the boiler and the program evaluated subsequent mercury removal across an existing wet FGD scrubber.



The W. A. Parish Station worked with the Energy & Environmental Research Center to also evaluate the effectiveness of halogen addition. A calcium chloride salt was metered and added to the coal feed upstream of the coal silos. The test team also investigated the effectiveness of a reagent added to the existing wet FGD scrubber to enhance the removal mercury.



These halogen injection tests at the Limestone and the W.A. Parish Stations showed promising results. Work is ongoing to determine long-term performance, and identify any impacts of halogen addition on power plant performance and operation.

NRG's Carbon Policy

NRG's CARBON BLUEPRINT FOR THE U.S. POWER GENERATION INDUSTRY

1	<p>It is a moral imperative that we take steps to reduce CO2 concentrations in the earth's atmosphere.</p> <p>While there is some lingering debate on the relationship between CO2 levels and global warming, it is unquestionable that human activity has increased CO2 concentrations in the atmosphere and that, left unchecked, the long-term potential environmental and socioeconomic consequences are severe.</p>	<p><i>The time to debate the cause of global warming is over. The time to decide what to do about is now.</i></p>
2	<p>The U.S. generation sector needs to take a leading role on carbon.</p> <p>The power generation sector in the United States is the single largest carbon-emitting industry in the single largest carbon-emitting country. As such, we have a responsibility to lead in the establishment of mandatory CO2 regulations in the United States as a precursor to a carbon regime that will be both global and comprehensive across all carbon-emitting industries.</p>	<p><i>Where we lead, others will follow.</i></p>
3	<p>We must be pragmatic about reducing carbon emissions given the probability that an immediate reduction in carbon emissions will drastically increase the price of natural gas in the United States.</p> <p>Recognizing there are no currently viable retrofit technologies available for existing coal plants, the only practical immediate carbon reduction scheme is to shift from coal-fired generation to greater utilization of the Country's gas-fired fleet. Such a sudden and sharp increase in power generation-driven demand for natural gas would, in all likelihood, cause a sharp increase in natural gas prices given the constrained nature of the U.S. natural gas system. Increased natural gas prices have a magnified negative impact due to their effect on both American industry and the American consumer directly.</p>	<p><i>We need to avoid a solution that punishes the American consumer and hurts the competitiveness of American industry.</i></p>
4	<p>We can and should reduce carbon emissions from the next wave of power plants.</p> <p>The argument that there are no currently viable technological solutions to address power plant emissions is false as applied to new generation. Indeed, there are certain commercially available and economically viable power generation technologies – including nuclear and wind power – which generate zero carbon emissions. Our immediate priority needs to be ensuring that the next wave of investment in power generation facilities in the United States includes sufficient no and low emission generation in order to ensure a significant reduction in the overall carbon intensity of the American power generation industry.</p>	<p><i>Let's not make the situation any worse...while we start to make it better.</i></p>

NRG's CARBON BLUEPRINT FOR THE U.S. POWER GENERATION INDUSTRY

5	<p>We need a national public-private partnership with respect to coal.</p> <p>Today coal is the predominant fuel source for power generation in the United States <i>and it will remain so for at least another generation.</i> There is simply no practical alternative. This means that it is critical that our government, the academic research community and the power industry work together immediately to solve the issues around carbon separation, transportation and sequestration from a technological, financial and legal perspective. Likewise, researching technologies for capturing carbon from the flue gas of existing plants is essential.</p>	<p><i>Cleaning up "King Coal" is a national and a global priority.</i></p>
6	<p>We need to ensure follow through on the next generation zero emissions alternatives.</p> <p>The US Government has encouraged and provided substantial financial support for a variety of zero carbon emissions alternatives, including renewables and nuclear power. There needs to be follow through to ensure that the mechanisms envisioned to provide that financial support are actually implemented in an effective way and properly funded.</p>	<p><i>Averaging down carbon intensity comes quickest when you add zero carbon capacity...it's just math...</i></p>
7	<p>As technology improves, carbon rules should toughen.</p> <p>History has proven that policies that use economic incentives to reduce emissions and conserve resources are the most powerful means to produce socially beneficial results. History has also proven that remediation technology will only be broadly adopted when there is an economic inducement or regulatory requirement to do so. Knowing this, we should first provide economic incentives for new power plants to reduce their overall carbon intensity. Later, as more advanced technologies are available, carbon policies should provide stronger incentives for existing plants to reduce carbon emissions. This combination of regulation and accelerated technology development will minimize the cost of achieving needed carbon reductions fastest.</p>	<p><i>To make progress on carbon emissions, we need both a carrot and a stick.</i></p>
8	<p>Carbon emissions need to have a global price</p> <p>Carbon emissions, and their consequences, know no national boundaries. Because of this, all nations should have a strong incentive to find the least costly ways to reduce those emissions. On a practical level, devising and implementing a fully functioning global price system for carbon emissions may take decades. As such, we favor moving to a series of national and multinational carbon cap-and-trade approaches that can be implemented more quickly to ensure that carbon emissions have a price – everywhere – as soon as practicable.</p>	<p><i>Carbon emissions should have a cost – wherever they occur.</i></p>

Press Release on GreenFuel's Technology Initiative at Dunkirk

Press Release

NRG ENERGY, INC. (NYSE - NRG)

NRG Energy, Inc. Announces Partnership to Pursue Innovative Technology for Recycling Carbon Dioxide Emissions into Biofuel

Company Release - 05/16/2006 11:47

PRINCETON, N.J.--(BUSINESS WIRE)--May 16, 2006--NRG Energy, Inc. (NYSE:NRG) has formed a joint initiative with GreenFuel Technologies Corporation (GreenFuel) and the New York State Energy Research and Development Authority (NYSERDA) to study carbon dioxide (CO₂) recycling. The technology takes the flue gas of a power plant and utilizes GreenFuel's innovative, algae-bioreactor technology to effectively recycle CO₂ into commercially viable byproducts. NRG's Dunkirk facility, a coal-fueled power plant located in western New York State, will serve as the host site for the study.

"Our key goals are, and have always been, to provide affordable, reliable and environmentally responsible energy. In that regard, doing our part to advance technological initiatives that may reduce CO₂ emissions from our plants is a moral imperative," said David Crane, NRG's President and CEO. "We are pleased to work with GreenFuel and NYSERDA and glad to dedicate the time and resources to make it happen," he added.

"NRG's solid reputation in the energy industry and exemplary goals for environmental responsibility and performance make NRG a premier choice as one of our key power-industry partners," said Greenfuel CEO, Cary Bullock. "We appreciate NRG's support for this project, along with the generous grant from NYSERDA. We look forward to a mutually beneficial, long-term relationship."

NRG's participation in this study is part of "ecoNRG," the Company's ongoing and extensive environmental business effort. In field tests to be conducted at Dunkirk, GreenFuel will utilize a mini-bioreactor system to assess the technical and economic feasibility of its Emissions-to-Biofuel(TM) process that harnesses the photosynthetic processes of algae to consume waste gases and heat from a power plant's air emissions stream, ultimately producing a high energy biomass. This means that in the presence of light, the single-celled algae take up CO₂ to produce the energy that fuels plant life—with a general rule of thumb being that two tons of algae remove one ton of CO₂. Once the algae are harvested, they can be converted to generate commercially viable byproducts such as ethanol or biodiesel.

"We are pleased to support NRG and GreenFuel as they study an alternative method for the capture and sequestration of CO₂," said Peter R. Smith, President and CEO, of NYSERDA. "This project has the potential to not only benefit the air quality in the surrounding community, but to also continue our progress toward producing clean renewable energy here in New York."

Once commercialized, GreenFuel's bioreactors can be retrofitted to existing sources with minimal impact on existing generation operations. The NYSERDA-funded study will run until year end.

About NRG

NRG Energy, Inc. owns and operates a diverse portfolio of power-generating facilities, primarily in Texas and the Northeast, South Central and Western regions of the United States. Its operations include baseload, intermediate, peaking, and cogeneration facilities, thermal energy production and energy resource recovery facilities. NRG also has ownership interests in generating facilities in Australia and Germany. The Company's recently launched "ecoNRG" program encompasses NRG's overall and ongoing environmental, or "green," business efforts. For additional information, visit the Company's website at www.nrgenergy.com.

About GreenFuel Technologies Corporation

With more than a dozen pending patents, GreenFuel Technologies Corporation is the leading developer of algae bioreaction systems that recycle CO₂ from power and manufacturing plant flue gases - converting it to an on-site, continuous supply of biofuel, such as biodiesel, ethanol or methane. The company is headquartered at its 13,000 square foot lab in Cambridge, Massachusetts. GreenFuel

Technologies Corporation was founded in 2001 by Isaac Berzin, who now serves as Chief Technology Officer. For more information, visit www.greenfuelonline.com.

About NYSERDA

The New York State Energy Research and Development Authority (NYSERDA) was established in 1975 as a public benefit corporation. NYSERDA funds research in areas relating to energy supply and efficiency, as well as energy-related environmental issues, important to the well-being of New Yorkers. NYSERDA finances, through the sale of bonds, environmental and energy improvements for the State's energy infrastructure. The organization has been cited by the U.S. Department of Energy as being among the best government research organizations in the North America, including others such as NASA.

Certain statements included in this news release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements above include, but are not limited to the expected timing and prospects for success of the study. Although NRG believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct. Factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements above include, among others, coordination and cooperation among the entities working on the study, and the availability of funding and key personnel for the study.

NRG undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements included in this news release should not be construed as exhaustive. For more information regarding risks and uncertainties that may affect NRG's future results, review NRG's filings with the Securities and Exchange Commission at www.sec.gov.

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SOURCE: NRG Energy, Inc.

Press Release on Padoma Wind Acquisition

NRG Energy, Inc. Completes Acquisition of Padoma Wind Power, LLC; Transaction Marks NRG's Entrance into Wind Generation Arena

Company Release - 07/14/2006 16:30

PRINCETON, N.J.--(BUSINESS WIRE)--July 14, 2006--

NRG Energy, Inc. (NYSE:NRG) today completed its acquisition of the privately held Padoma Wind Power LLC, a leading wind energy development company. Marking NRG's entrance into the wind generation market, Padoma Wind Power will play a key role in NRG's multi-fuel and multi-technology growth strategy.

"We believe renewable energy has an important and growing role to play alongside fossil fuel-fired generation in meeting the Nation's electricity requirements," said David Crane, NRG's President and CEO. "Our acquisition of Padoma is an important step in furtherance of our multi-fuel, multi-region business model."

Padoma Wind Power is a wind farm developer whose principals have developed, financed, built and operated more than 40 wind farms in the United States and Europe. Padoma will maintain its headquarters in La Jolla, California and will operate as a subsidiary of NRG with its existing management team remaining in place. The transaction was funded with cash on hand, for an undisclosed sum.

About NRG

NRG Energy, Inc. now owns and operates a diverse portfolio of power-generating facilities, primarily in Texas and the Northeast, South Central and Western regions of the United States. Its operations include baseload, intermediate, peaking, and cogeneration facilities, thermal energy production and energy resource recovery facilities. NRG also has ownership interests in generating facilities in Australia, Brazil and Germany. NRG's acquisition of Padoma is part of "ecoNRG," the Company's ongoing and extensive environmental business effort, targeted at reducing NRG's environmental footprint.

Certain statements included in this news release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although NRG believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct. Factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements above include, among others, inability to achieve the expected benefits from the transaction; general economic conditions; changes in the wholesale power markets and fluctuations in the costs of raw materials; the inability to enter into contracts to sell power or purchase turbines or other equipment on terms and prices acceptable to us; and changes in governmental regulation, including possible changes of market rules, market structures and design, rates, tariffs, environmental laws and regulations and regulatory compliance requirements.

NRG undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements included in this news release should not be construed as exhaustive. For more information regarding risks and uncertainties that may affect NRG's future results, review NRG's filings with the Securities and Exchange Commission at www.sec.gov.

More information on NRG is available at www.nrgenergy.com

Source: NRG Energy, Inc.

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Appendix 7
NRG Corporate Financial Capabilities

- **Press Release on Financing for Texas Genco acquisition (Jan. 2006)**
- **Press Release on Financing for Hedge Reset transactions (Nov. 2006)**
- **Press Release on Senior Debt Refinancing (Dec. 2004)**
- **NRG 2005 Annual Report**
- **NRG 2005 SEC Form 10-K Filing**
- **Credit Rating Reports**

**Press Release on Financing for Texas Genco acquisition
(Jan. 2006)**

NRG Energy, Inc. Completes Texas Genco Acquisition Creating the Premier U.S. Wholesale Power Generation Company

Company Release - 02/02/2006 14:40

PRINCETON, N.J.—(BUSINESS WIRE)—Feb. 2, 2006—NRG Energy, Inc. (NYSE:NRG) today closed its acquisition of Texas Genco LLC providing NRG with both a significant presence in all the key competitive wholesale power markets in the United States and an enhanced overall portfolio of high quality, fuel diverse power generation assets. The Company expects the combination with Texas Genco to generate substantial future earnings and cash flow growth, further strengthening NRG's financial profile.

"In addition to being value enhancing to all stakeholders, we believe this transaction positions NRG to be the premier wholesale energy provider in each of the regions we operate," said David Crane, NRG's President and Chief Executive Officer.

"Furthermore, the fact we were able to complete this transaction in only four months is a testament to the professionalism of both companies' people and is an excellent indicator of what we are confident will be a quick and effective integration."

The final purchase price consisted of \$4.4 billion in cash, \$2.7 billion in assumed Texas Genco debt and 35.4 million shares of NRG common stock. NRG partially funded the acquisition with the net proceeds from its public offerings of common stock (\$1.0 billion), which closed on January 31, 2006, and mandatory convertible preferred stock (\$500 million) and unsecured senior notes (\$3.6 billion), each of which closed today. In addition, NRG entered into a senior secured credit facility consisting of a \$3.58 billion term loan facility, a \$1.0 billion revolving credit facility and a \$1.0 billion synthetic letter of credit facility.

In conjunction with the acquisition closing, NRG has made two management appointments. Steve Winn, previously the head of mergers and acquisitions for NRG, has been promoted to NRG's Executive Vice President and Regional President, Texas and will run NRG's newest and largest region. Additionally, Thad Hill, previously Executive Vice President of Strategy & Business Development at Texas Genco, has been named Executive Vice President, Corporate Business Development and Strategic Planning for NRG.

With the addition of Texas Genco, NRG currently owns and operates a diverse portfolio of power-generating facilities capable of generating more than 25,000 megawatts of power. The facilities are located primarily in Texas and in the Northeast, South Central and Western regions of the United States. NRG's operations include baseload, intermediate, peaking and cogeneration facilities, thermal energy production and energy resource recovery facilities. NRG also has ownership interests in generating facilities in Australia, Germany and Brazil.

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are subject to certain risks, uncertainties and assumptions and typically can be identified by the use of words such as "will," "expect," "estimate," "anticipate," "forecast," "plan," "believe" and similar terms. Although NRG believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Factors that could cause actual results to differ materially from those contemplated above include, among others, general economic conditions, hazards customary in the power industry, weather conditions, the condition of capital markets generally, adverse results in current and future litigation and failure to realize expected benefits of the acquisition. NRG undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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SOURCE: NRG Energy, Inc.

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**Press Release on Financing for Hedge Reset transactions
(Nov. 2006)**

NRG Energy Announces Completion of Hedge Reset Transactions

Company Release - 11/21/2006 12:49

PRINCETON, N.J.-(BUSINESS WIRE)-

NRG Energy, Inc. (NYSE:NRG) today completed its Hedge Reset transactions announced on November 3, 2006. These transactions included approximately \$1.35 billion in payments made to hedge counterparties to reset the price levels to current market prices of certain legacy hedges acquired in February 2006. The payments were funded with \$250 million from existing cash balances and the proceeds of today's closing of a public offering of \$1,100 million in aggregate principal amount of 7.375% senior notes due 2017.

NRG also announced today the approval and closing of an amendment to its existing senior credit facilities. The amendments, among other things:

- permit the incurrence of the debt to fund the hedge resets described above;
- increase the amount of the synthetic letter of credit facility from \$1,000 million to \$1,500 million to support incremental hedging activity;
- increase to \$500 million the amount immediately available for unrestricted use by the Company, which may be used among other things for share repurchases; and
- provide additional flexibility to NRG with respect to certain covenants governing or restricting the use of excess cash flow, new investments, new indebtedness and permitted liens.

"We received a very favorable response from our senior credit facility holders and the high yield note market," commented Robert Flexon, NRG Executive Vice President and Chief Financial Officer. "Completing these transactions provides the Company with a more appropriate level of flexibility to execute our capital allocation plans," added Flexon.

NRG Energy, Inc. owns and operates a diverse portfolio of power-generating facilities, primarily in Texas and the Northeast, South Central and West regions of the United States. Its operations include baseload, intermediate, peaking, and cogeneration facilities and thermal energy production. NRG also has ownership interests in generating facilities in Australia, Germany and Brazil.

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are subject to certain risks, uncertainties and assumptions and typically can be identified by the use of words such as "will," "expect," "estimate," "anticipate," "forecast," "plan," "believe" and similar terms. Although NRG believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. NRG undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements included in this new release may be found with information regarding risks and uncertainties that may affect NRG's future results, which are included in NRG's filings with the Securities and Exchange Commission at www.sec.gov.

Source: NRG Energy, Inc.

Contact: NRG Energy, Inc. Investors: Nahla Azmy, 609-524-4526 or Kevin Kelly, 609-524-4527 or Jon Baylor, 609-524-4528 or Media: Meredith Moore, 609-524-4522 or Lori Neuman, 609-524-4525

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**Press Release on Senior Debt Refinancing
(Dec. 2004)**

NRG Energy Completes \$950 Million Senior Debt Refinancing

Company Release - 12/27/2004 16:21

PRINCETON, N.J.--(BUSINESS WIRE)--Dec. 27, 2004--NRG Energy, Inc. (NYSE:NRG) announced today that it amended and restated its \$950 million senior secured credit facility.

The amended and restated facility includes a \$150 million revolving credit facility and an \$800 million term loan, \$350 million of which will be used to prefund a letter of credit facility to support working capital needs. The interest rate on the \$800 million term loan will be LIBOR plus 1.875 percent going forward, a reduction of 212.5 basis points from the prior facility. In addition, the covenants under the amended facility are less restrictive, and in many respects match the covenants in NRG's outstanding 8% high yield note indenture.

"We view our ability to restructure our senior debt facility on such attractive terms as recognition by the financial community of our strong operational performance and of the new NRG's fundamental commitment to prudent balance sheet management," said Robert Flexon, Chief Financial Officer. "This is a very positive reflection on the outstanding work done by the entire NRG team over the past year."

Credit Suisse First Boston and Goldman, Sachs & Co. arranged the financing for NRG.

NRG Energy, Inc. owns and operates a diverse portfolio of power-generating facilities, primarily in the Northeast, South Central and West Coast regions of the United States. Its operations include baseload, intermediate, peaking, and cogeneration facilities, thermal energy production and energy resource recovery facilities. NRG also has ownership interests in generating facilities in Australia and Germany.

Certain statements included in this news release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements above include, but are not limited to the portion of the funds being used to prefund a letter of credit facility. Although NRG believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct. Factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements above include, among others, the inability to utilize a portion of the funds to prefund a letter of credit facility.

NRG undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause NRG's actual results to differ materially from those contemplated in the forward-looking statements included in this news release should not be construed as exhaustive. For more information regarding risks and uncertainties that may affect NRG's future results, review NRG's filings with the Securities and Exchange Commission at www.sec.gov.

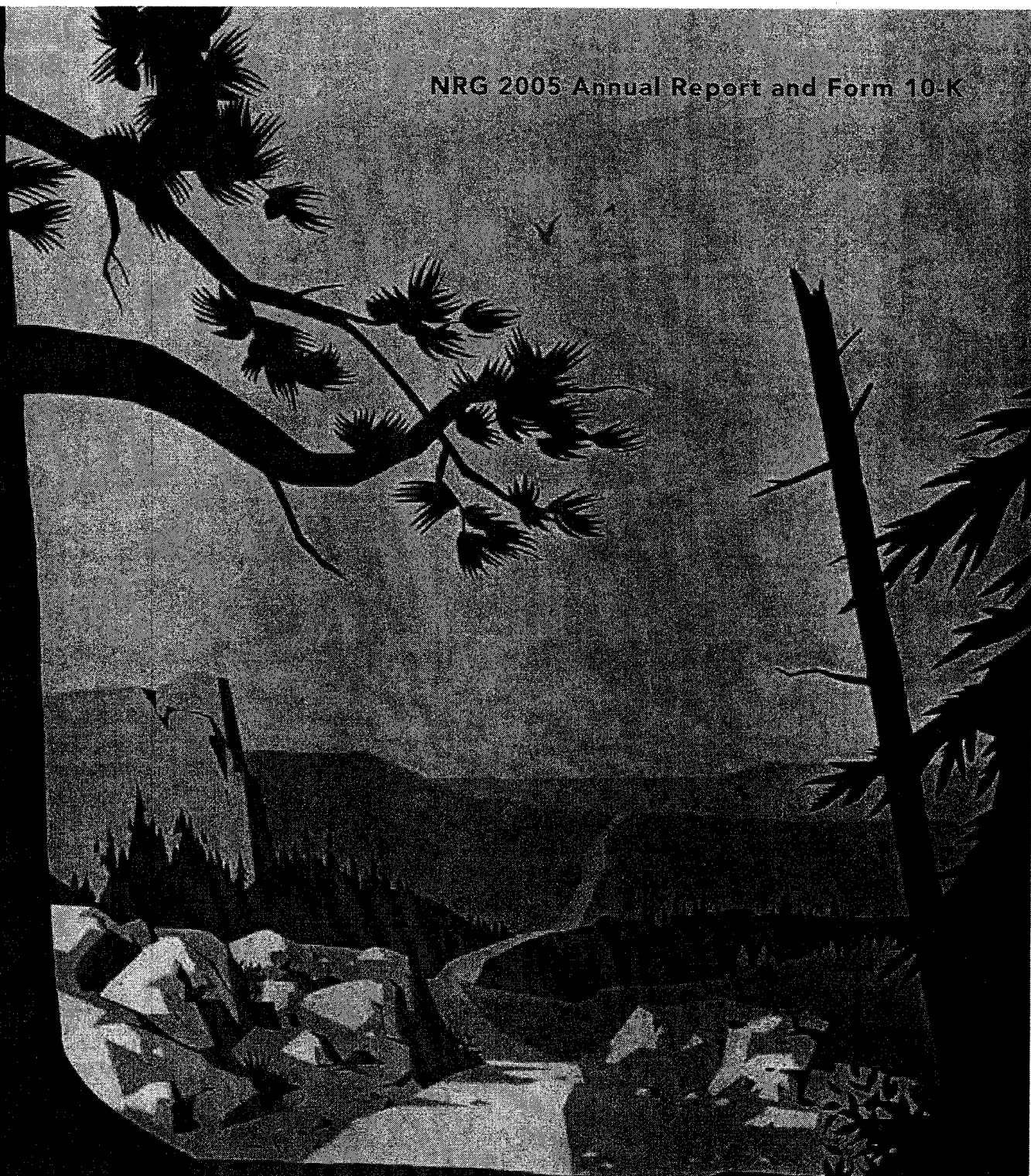
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SOURCE: NRG Energy, Inc.

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NRG 2005 Annual Report and Form 10-K Filing

NRG 2005 Annual Report and Form 10-K



CLEAR DIRECTION

NRG AT A GLANCE

WE ARE THE PREMIER COMPETITIVE WHOLESALE POWER GENERATOR IN THE UNITED STATES.

WHAT WE DO

- We own and operate power plants.
- We sell, trade and market the power and other services produced in and around our plants.
- We manage the transportation of necessary fuels.
- We use our financial strength to enhance our portfolio of assets—and to grow our profitability.

OUR COMPETITIVE ADVANTAGE

NRG's 24,522 MW portfolio is unmatched in range for geography, fuel source and dispatch level. We are strategically located in areas with the highest demand for power, in every competitive market in the United States.

OUR STRATEGIC OBJECTIVE

To be the premier power generation provider in the principal competitive wholesale markets in the United States.

OUR CAPACITY

TOTAL NET MEGAWATTS	24,522
TOTAL NORTH AMERICA	22,605
Texas	10,658
Northeast	7,099
South Central	2,395
Western	1,044
Other	1,410
TOTAL INTERNATIONAL	1,916
Australia	1,305
Germany	455
Brazil	156

OUR STAFF (AS OF 3/15/05)

TOTAL STAFF	3,695
Domestic Staff	2,965
Headquarters (245)	
Texas (1,088)	
Northeast (891)	
South Central (290)	
Western (137)	
Other (314)	
International Staff	730

OUR CORE VALUES: STRIVE

Our Core Values are the framework for our strategies, decisions and behavior. They are the map that we follow from one end of our Company to the other.

- S**afety
- T**eamwork
- R**espect for Individuals, Community and Environment
- I**ntegrity
- V**alue Creation
- E**xemplary Leadership

PLANT SITES (ACTIVE AS OF 2/15/05)



NORTHEAST

15 PLANTS IN CT, DE, MD, NY, PA, VA

SOUTH CENTRAL

1 PLANT IN TX, LA

TEXAS

9 PLANTS IN TX

WESTERN

6 PLANTS IN CA, AZ, NV, ID

OTHER NORTH AMERICA

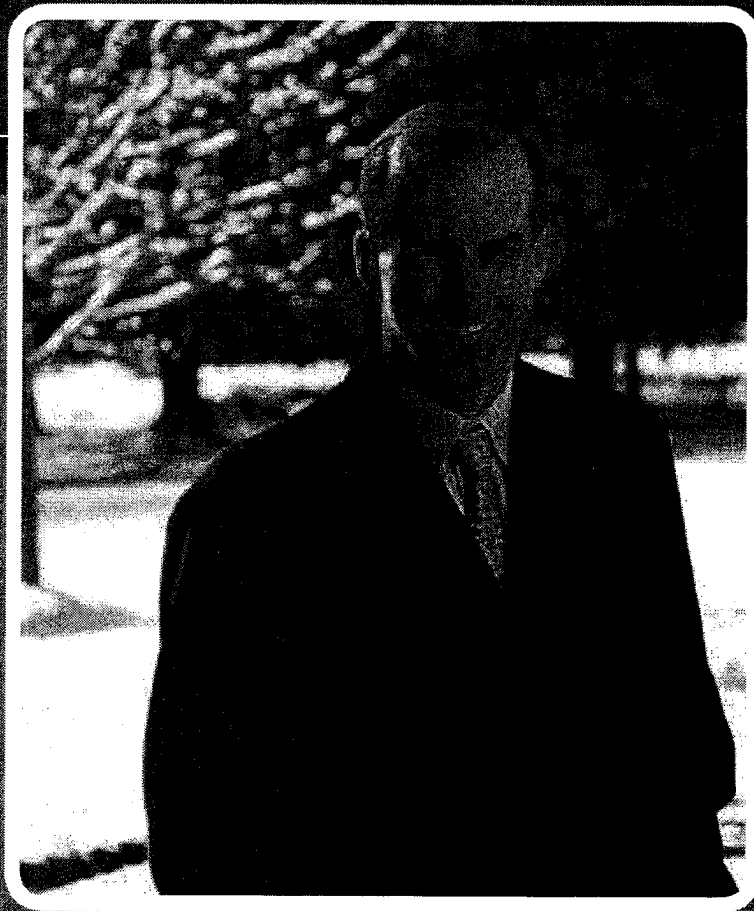
9 PLANTS IN DE, IL, MI, MO, PA, OK, VA

INTERNATIONAL

8 PLANTS IN AUSTRALIA, GERMANY AND BRAZIL

33°

CLEAR DIRECTION



Motion in itself is no progress. But add a vision, a map, the means to get you where you want to go and, suddenly, movement has a clear direction.

As in recent years, the power industry landscape has again changed markedly—economically, politically, even physically. What is gratifying to me is how our Company has responded to the ever-shifting environment, adapting and strengthening itself, positioning itself in the forefront of our industry where we can set the pace for needed progress. In the past 12 months, the need for fundamental changes in our nation's power infrastructure has increased considerably—and, as the premier competitive wholesale power generator, NRG is well-positioned to meet this challenge.

As key stakeholders with us on this journey, I'd like to take you quickly through where we've been the past year, where we're headed and why NRG could not be in a better place right now.

05

130°

140°

CONTINUE >

Where We've Been

To start, here's a glimpse at four of the driving factors that moved our industry, and our decisions as a Company, in 2005:

1. THE FEDERAL ENERGY POLICY ACT: DRIVING COMPETITION

The first federal energy bill in 13 years arrived last year to much fanfare, much debate and yet, unfortunately, not quite as much substance as we had hoped.

The good news is that Congress reconfirmed its commitment to competitive energy markets and to the Federal Energy Regulatory Commission's role in facilitating the development of those markets. The Energy Policy Act also provides a moderate amount of funding for certain new energy technologies that may have a positive long-term impact. But for a country struggling with climbing energy prices, and a dwindling energy supply in its largest cities, the Energy Policy Act falls short. Much work remains to be done in the near and medium terms by our Company and by our industry in close cooperation with government and regulatory entities at the federal, state and local levels if this country is to procure its needed new infrastructure in the most timely and cost-competitive manner possible.

For us, the Energy Policy Act made one thing crystal clear: At least in our core domestic markets, the competitive wholesale power industry must lead the way in building this next generation of power infrastructure. This is our challenge.

2. THE HEAT WAVE: DRIVING DEMAND

Perhaps the biggest "non-story" of 2005 was the extreme summer heat that blazed across the Northeast, and the extraordinary performance turned in by the electricity industry in withstanding the incredible strains put on the system.

Throughout two months of blistering temperatures—some of the hottest on record—NRG's men and women worked tirelessly around the clock, keeping the boilers running and turbines spinning, replenishing our fuel supplies and working hand in hand with the system operators to ensure the stability of the grid. That is the real story. In spite of the record demands and sweltering conditions, the system worked. The lights stayed on.

That, in large part, is precisely what kept the heat out of the headlines. We are reconciled to the fact that the "blackouts that

didn't happen" will never be front-page news. But, the fact is that this summer validated our industry. It proved that a region dependent on competitive energy can maintain the highest levels of availability, even under severe conditions, and without the regulated structure that some believe is necessary to ensure uninterrupted power supply.

Still, the extraordinary summer weather tested the very limits of this country's power infrastructure. The strength of NRG's scale and asset diversity—and our ability to make adjustments in real time—was proven again and again. But the need for more energy infrastructure in the Northeast was painfully obvious, even before the hurricanes hit the Gulf of Mexico.

3. THE HURRICANES: DRIVING PRICES

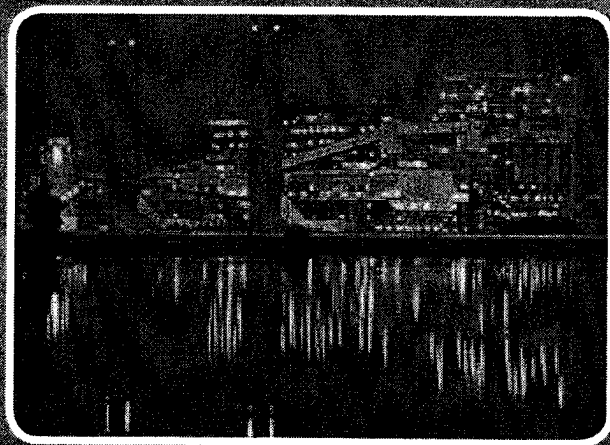
Any discomfort or inconvenience caused by the summer heat paled in comparison to the trials so many endured at the hands of Hurricanes Katrina and Rita.

Once we stood back and assessed the damage, here's how it looked for NRG:

First, thankfully, none of our people were injured by either storm. Nor were our power plants substantially affected, as the high winds did much more damage to the transmission and distribution system (the wires and poles) than to our more robust power plants. However, eight of our 11 cooperative customers, directly in the path of either or both of the hurricanes, were affected.

Among these, one of the worst off was the Jefferson Davis Cooperative, so devastated by Rita that it initially lost 100 percent of its load, and is still down by about 30 percent because many of the homes it serves were destroyed. As you will see later in this report, our Company and our employees have responded generously at a variety of levels and in a variety of ways. I am proud of the often-extraordinary efforts many NRG employees have made on behalf of people whose lives were left in pieces by these storms.

HURRICANES KATRINA AND RITA

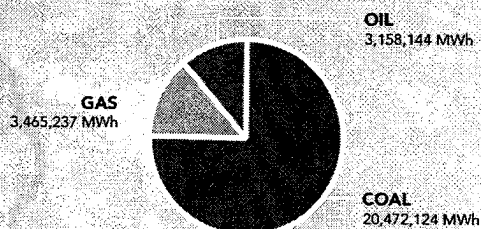


During the critical hours and days after Hurricane Katrina, our Louisiana colleagues pitched in to help several of our coop customers rebuild their infrastructure and restore power. Our Big Cajun II plant helped local officials stay in contact with recovery agencies by extending its microwave network and telephone system and loaning satellite phones to our coop customers. We also purchased eight portable generators to provide backup power for these customers.

NEW ROADS, LOUISIANA
BIG CAJUN II

But in the aftermath of these storms, and the extremely volatile commodity price environment that followed, the question remains whether this tragedy will become, as it should, a wake-up call for public policy makers. After years of promoting natural gas as the power generation fuel of choice, the risk of growing too enamored with any one fuel source has now been vividly demonstrated—particularly as natural gas prices have jumped two to three times higher in a single year, pulling wholesale electric prices with them.

For NRG, this series of events reinforced our belief in our multi-fuel approach. When gas prices skyrocketed, the nation turned back to coal—and with seven coal plants already in operation and PRB (Powder River Basin) coal in abundant supply, NRG has led the shift back to today's most reliable domestic fuel source.

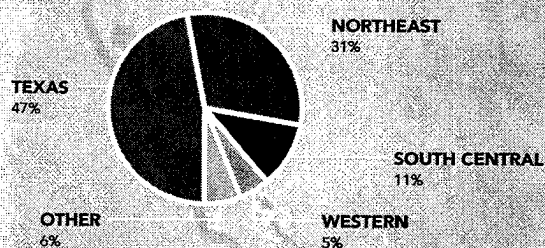


WITH OUR WIDE RANGE OF FUEL SOURCES, NRG IS WELL EQUIPPED TO MINIMIZE THE IMPACT OF MARKET FLUCTUATIONS.
(U.S. domestic generation excluding Cadillac, Keystone and Conemaugh)

The depth and breadth of our fuel diversity across the merit order has already paid off, and is central to what led us to our final big event of 2005.

4. ACQUIRING TEXAS GENCO: DRIVING GROWTH

In October of 2005, NRG announced its intention to acquire Texas Genco LLC. The significance of this acquisition for the competitive power industry goes well beyond what it means for NRG, although, as you will see, this is a decidedly positive move in all regards for our Company.



OUR NEW TEXAS ASSETS COMPRISE NEARLY HALF OF OUR TOTAL CAPACITY, AND PLACE US IN EACH OF THE COUNTRY'S FOUR COMPETITIVE MARKETS.

By combining Texas Genco and NRG, we have created the largest, most formidable competitive power generation company in the U.S. And we now have the potential, quite literally, to transform the landscape of our country's power infrastructure.

The consolidation of the wholesale power generation sector in the United States is underway. And already we've taken a major step toward helping better equip our country to address the infrastructure needs that loom around the corner.

Where We're Headed

So this is where 2005 has brought us. As a Company, we are stronger than ever. As a country, we are in greater need for another wave of energy infrastructure investment.

A SHORTAGE OF POWER PLANTS?

For some, talk of an impending power plant shortage may seem counterintuitive. Hasn't the competitive power sector spent the last five years working its way out of a glut caused by over-zealous construction of gas-fueled, merchant power plants?

Yes, but the issue we face now is a result of the very nature of that last wave of power plants. Those plants are virtually all fueled by expensive and increasingly scarce natural gas, and, geographically, they are too concentrated in easy-to-permit areas, far from the load centers. What our country needs is intelligent investment in the right kind of plants, in the right places, with the right type of environmental remediation equipment—and we need to start now.

- **Aging Resources, Increasing Populations:** A simple road trip past the plants powering New York City reveals a host of facilities that are older than the average American citizen. Given the critical positioning of these plants within the transmission system, substantial reinvestment in these plants is essential. The same is true in Los Angeles, Houston and all of America's most populated, fastest growing urban areas. In many of our country's most populous and economically dynamic areas, any remaining surplus capacity will be soaked up within the next two to three years.
- **High Prices:** All of us at NRG are power consumers. We understand the sticker shock that has occurred around energy prices this past year. And while we are not in a position to provide any relief to the consumer at the gas pump, what we can do, and intend to work toward, is two things: One, to reduce, or at least to moderate, the country's reliance on natural gas for power generation purposes (freeing up this scarce resource for higher value usages, like home heating); and two, to provide more wholesale generation at an affordable and steady price not tied to extraordinarily volatile natural gas prices.

As an owner and operator of gas-fueled plants, we recognize that using gas for energy right now is a bit like washing your hair with expensive, bottled water. As we increase the number of power plants using more cost-efficient fuels, like coal or nuclear power, we

can help moderate gas consumption for power generation purposes, potentially making gas more affordable for consumers who use it for home heating and cooking.

The market is sending us the right price signal: Build plants fueled by something other than gas and build them near where the electricity will be consumed.

As an industry, we need to respond to the challenge. We need to supplement and enhance our aging non-gas fueled power plants with a new fleet of environmentally responsible coal and nuclear facilities.

KEEPING CONSUMERS IN SIGHT

So who should build these facilities? A recent study by CERA ("Beyond the Crossroads," 2005, Cambridge Energy Research Associates, Inc.) shows that competitive electric markets have saved customers \$34 billion over the last seven years—in addition to savings for commercial and industrial customers—compared to the traditional cost-plus regulatory regimes of the past.

It makes sense. Competitive companies work aggressively to control costs and manage wisely. They have proven themselves to be the leaders in innovation and in forward movement across all aspects of the electricity business, partly because they know that if they aren't the best in the industry, someone else will be.

Still, in some political circles, support for competitive energy generators has been sluggish. But—when American customers are saving \$34 billion, when the three independent system operators in the Northeast are keeping the power on even during a sustained period of overwhelming demand and when the biggest opponents to infusing competition into the power industry are those who are benefiting from the continued security of a regulatory safety net—the need to stay the course and to focus on perfecting market-based, competitive solutions to today's critical issues is something we must support as a Company and as individuals.



CONTINUES>

"As the first in the industry to consolidate, NRG bears the standard that others will follow. We are mapping the way. Blazing the trail to progress, with much-needed change."

NRG TEXAS: PREPARING TO MAKE A DIFFERENCE

This February, we finalized our acquisition of Texas Genco—now known as NRG Texas. On that day, the two most financially robust companies in the competitive power generation sector were unified, a true powerhouse was born and a new era in power generation began.

This acquisition solidified NRG's position as the leader in the industry, and provided a host of advantages to our Company:

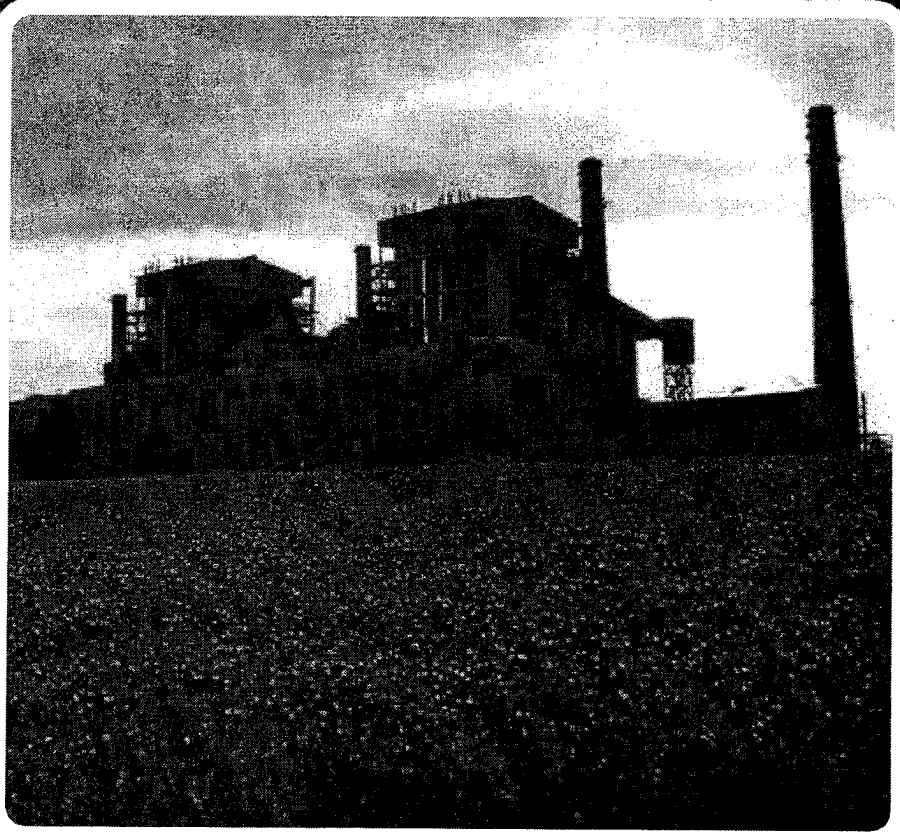
- **Size and Scale:** We are now the largest independent generator in the United States, with approximately 25,000 megawatts of capacity, nearly double our size before the acquisition. We now have the greatest capacity of non-gas generation in the wholesale power sector and the largest market capitalization of any company in the sector.
- **Geographic Scope:** We have now been ushered into the last competitive market we had not already penetrated—Texas—making us a major player in all of the competitive wholesale power markets and in three of the country's four largest cities.

- **Fuel Diversity:** In addition to adding substantial coal capacity to our portfolio, we now have a large ownership position in a zero-emission, nuclear-fired power plant—and not just any nuclear power plant: The South Texas nuclear plant is the second-youngest, second-highest-producing nuclear power plant in the entire country.
- **Seamless Integration of a Top-Quality Team:** Operationally and strategically, our two companies have been almost uncannily like-minded. And the Texas Genco staff was lean, highly professional, focused on safety, deeply experienced and totally committed to their plants and their business. As a result, the process of merging our assets and people has progressed virtually without a hitch.
- **Cash Flow:** Going into this acquisition, a key strength of NRG was its positive cash-flow generation. And now, with Texas Genco, we have become a virtual cash flow-generating machine.

As the first in the industry to consolidate, NRG bears the standard that others will follow. We are mapping the way. Blazing the trail to progress, with much-needed change.



LIMESTONE COUNTY, TEXAS
LIMESTONE



Are we there yet?

The evolution of the competitive power generation market is still at a relatively early stage, as is the evolution of NRG. The acquisition of Texas Genco does not complete the process. What it does is create a rock-solid platform for value enhancement, cash generation and future financial growth.

- This new position affords our Company greater scale with which to reduce costs, improve efficiency, ensure availability and even build new plants or initiate brownfield projects.
- We are now situated in each of the power generation markets that are in critical need of investment.
- Our diversity of fuel, geographic range and dispatch level is now such that we can lead the industry boldly—and profitably—through whatever volatility in natural gas prices, weather events and energy demands may lie ahead.

Mapping the Way

Our strategy going forward is based on the role we can play in rebuilding the U.S. energy infrastructure to meet the country's current energy plight. We are relentlessly focused on lowering costs and increasing reliability for energy consumers and, in turn, increasing value for our shareholders. And we are better equipped than anyone else to do so.

Within each of our four business regions—Northeast, Western, South Central and Texas—NRG is following four clear directives:







INTRINSIC GROWTH

1. CREATE MAXIMUM VALUE FROM OUR EXISTING FLEET

We are digging deep for ways to reduce costs, improve efficiency, implement best practices and positively impact profitability within each of our existing assets.

Our road map for this effort is called *FORNRG* (Focus On Return on Invested Capital @ NRG), a program that has galvanized our employees, at every level, around contributing to our Company's growth and, ultimately, to generating higher returns for you, our shareholders.

Through *FORNRG*, we aim to gradually add more dollars to the Company's bottom line each year, reaching \$105 million annually by 2008.

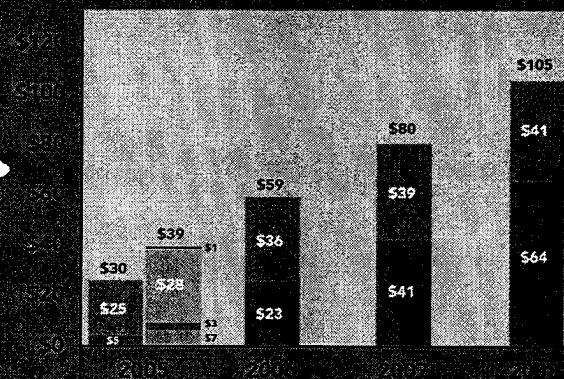
-  TARGET OPERATIONS INITIATIVES
-  TARGET CORPORATE INITIATIVES
-  ACTUAL RECURRING OPERATIONS INITIATIVES
-  ACTUAL NONRECURRING OPERATIONS INITIATIVES
-  ACTUAL RECURRING CORPORATE INITIATIVES
-  ACTUAL NONRECURRING CORPORATE INITIATIVES

FORNRG: MOVING DOLLARS TO THE BOTTOM LINE

In 2005, we scoured the business for costs to cut—and succeeded. By identifying ways to recover unclaimed sales tax, minimize software licenses, update insurance policies, consolidate vendors, reduce usage of outside law firms and more, our staff added \$39 million to our bottom line in 2005—\$9 million over our initial *FORNRG* goal.

As we move into 2006, we'll begin reaping the rewards from investments and efficiency improvements that are being put into place at the plants. We project that plant operations will contribute \$23 million to the bottom line within the next year—nearly 40% of our overall *FORNRG* 2006 target of \$59 million.

FORNRG TARGETS



CORPORATE DROVE \$29 MILLION OF NEAR TERM RESULTS; OPERATIONS DRIVES LONGER TERM RESULTS BY \$64 MILLION RESTORING CAPACITY AND IMPROVING RELIABILITY

2. INVEST IN REPOWERING OUR KEY ASSETS

After 30 to 50 years of heavy service, many of our hardest working plants are nearing the end of their useful lives. However, with their strategically valuable locations—close to customer loads and with all of the necessary infrastructure already in place—finding ways to repower, optimize and/or enhance these plants with state-of-the-art technology on the same sites, is a compelling alternative to building new plants in undeveloped locations. We are actively pursuing repowering and expansion options.

Our leading brownfield project at present, Big Cajun II unit 4, is under active development. Permits have been approved for this approximately \$1 billion expansion project, which will add approximately 700 megawatts (MW) of generating capacity at the Big Cajun plant, using Illinois Basin coal and a new kind of supercritical boiler that requires less fuel than traditional boilers.

The Big Cajun II expansion has received a great deal of political support in Louisiana, as it will add low-cost baseload generation, and we have seen a great deal of customer interest in purchasing output from this new unit.

EXTRINSIC GROWTH

3. ACQUIRE ASSETS THAT ENHANCE OUR REGIONAL ASSET MIXES

Our regional asset portfolios are the strongest and best balanced in the entire industry, but competition is strengthening regional. Our goal is to continue filling gaps in our portfolio by purchasing assets with locations, fuel types and technologies that not only add value in their own right, but also enhance the value of our existing assets.

4. INVEST IN COMPLEMENTARY BUSINESSES

Our core business is power and always will be, whereas power generation plants with active expansion programs are the greatest source of our growth resources. However, we see that there are many types of commercial opportunities strategically aligned with our own power generation, which not only have the advantages of being profitable in their own right, but also could serve to mitigate one or more of the risks associated with our core business. An example of this was our decision to purchase and lease 112,000 barrels beginning in 2005, and our more recent agreements to purchase and lease 24,000 barrels that will provide us with coal to our NRG Texas coal-fired plant. In addition, our ownership of owned and leased railcars (over 1,400 railcars are valuable assets at a time of tight rail car and rolling stock) not only are also an effective margin for a portion of our coal transportation requirements.

STARTING STRONG



Strategically, operationally and financially, NRG has never been in a better position. For the past few years, our focus has been on strengthening our balance sheet and streamlining our operations—and we have done so with remarkable effectiveness, eliminating \$1.6 billion in debt and repurchasing 20 percent of our common stock since 2003, including a \$250 million accelerated share repurchase last August.

Now, with the acquisition of Texas Genco, we have executed upon our third focus: Growth.

In fact, the earnings and cash flow that we have immediately gained from our new Texas region afford us greater stability and flexibility than ever. And with each decision we make, we keep an eye on our balance sheet to ensure it stays balanced.

This year was eventful for us as a Company, and we're on an invigorating journey of possibly historic transformations within the power industry. In so many ways, NRG is in the driver's seat and, for one, look forward to the shared journey we will take through 2006 and beyond.

Sincerely,

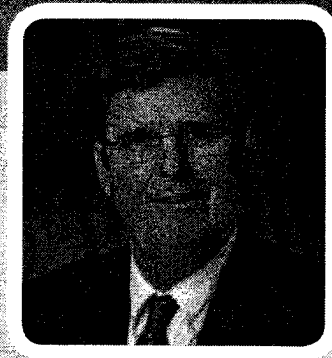
David Crane
President and Chief Executive Officer
March 15, 2006

FINANCIAL DATA (\$ MILLIONS EXCEPT PER SHARE DATA)

Income Statement	2005	2004
Operating revenues	\$2,708	\$2,348
Operating income	\$238	\$393
Net income	\$84	\$186
Cash Flow	2005	2004
Cash flow from operations	\$68	\$645
Capital expenditures	\$106	\$119
Cash and cash equivalents at end of period	\$506	\$1,104
Common Share Data	2005	2004
Net earnings per share – basic	\$.76	\$1.86
Net earnings per share – diluted	\$.75	\$1.85
Weighted average common shares outstanding – basic	85	100
Weighted average common shares outstanding – diluted	85	100
Capitalization	2005	2004
Total debt, including capital leases	\$2,682	\$3,484
Common equity	\$1,825	\$2,286
Preferred equity	\$406	\$406
Total capital	\$4,913	\$6,176
Ratios	2005	2004
Total debt/capital	54%	56%
Operating Statistics	2005	2004
NRG's U.S. net owned power generation (MWh)*	27.2	26.1

*Excludes Conemaugh and Keystone

CHAIRMAN'S LETTER



DEAR FELLOW SHAREHOLDERS,

It's been a full year of behind-the-scenes analysis, deliberation and due diligence for the NRG Board of Directors. By far the most significant matter we undertook in 2005 was the purchase of Texas Genco.

On behalf of your Board, I am pleased to assure you that every detail of this transaction has been comprehensively evaluated and approved. During 2005 the Board laid the groundwork for growth by examining strategic alternatives for NRG. This preparation allowed us to act quickly and diligently when the opportunity to acquire Texas Genco developed late last summer.

Like any investment opportunity our Company considers, this transaction was evaluated using a strict, disciplined approach, in the context of the financial goals we have previously defined. NRG management has succeeded in securing a wise and worthwhile investment, which meets the following standards: It is immediately and substantially accretive to cash flow and earnings, it maintains our capital structure within the targeted range, it

holds favorable potential for the long-term, and we expect it to generate a positive financial return to you, our shareholders.

The acquisition has also added two new members to the NRG Board—William Hantke and Paul Hobby—both of whom formerly served on the Texas Genco Board. These new Directors, along with Maureen Miskovic, whom we welcomed to the Board in September, bring expertise, perspective and reputation that will appreciably benefit our ongoing operations.

Your Board has also continued to focus on corporate governance, ensuring that NRG employees at every level practice open communication, transparent accounting and ethically sound behaviors. View our entire corporate governance guidelines and the NRG Code of Conduct from the Investors section of www.nrgenergy.com.

Each of us on the Board is proud to represent your interests. We approach our tasks with a profound sense of responsibility, and we welcome your thoughts and suggestions.

Sincerely,

A handwritten signature in cursive script that reads "Howard Cosgrove".

Howard Cosgrove
Chairman

"We will support organizations and initiatives that have a meaningful and direct impact on the communities in which we do business."

We've spent a good part of this past year looking at ways that our Company can make a difference. And within our business operations, we have identified many.

But there are countless needs yet to be met in the communities where we live and work. And—with up to \$1 million earmarked for charitable causes in 2006, and corporate programs that match what our employees give—we hold the potential to make a noticeable difference. The key is to be intentional and insightful.

To ensure that our donations have the greatest possible impact, in 2005 we formed an internal Global Giving Committee (GGC). The GGC digs deep into our communities to uncover outstanding organizations and needs that NRG can directly and significantly support.

This past August, however, we didn't have to look far to find people in great need of help.

The devastation caused in the backyard of our South Central region by Hurricanes Katrina and Rita inspired acts of selflessness and partnership throughout NRG. Here are just a few:

OVER \$500,000 DONATED

Across the NRG family, staff members responded generously—and the Company tripled each contribution.

SENDING HELP WHERE IT'S NEEDED MOST

Together, we donated nearly \$400,000 to disaster-relief organizations, plus \$100,000 from NRG to the Baton Rouge Area Foundation to help restore communities served by NRG's South Central region.

FOOD BANK STOCKED

Personnel at NRG headquarters added an impromptu auction and raffle to the Company picnic and, with an NRG match of staff contributions, raised over \$44,000 for the Greater Baton Rouge Food Bank.

EVACUEES CARED FOR

After the storms, thousands of hurricane evacuees poured into Pointe Coupee Parish, a rural Louisiana community where our Big Cajun II plant is the largest employer. Several employees opened their homes to displaced family members and, in addition to their monetary contributions, NRG employees across the country quickly collected and shipped over 17 tons of food and emergency supplies.

NRG Global Giving





HURRICANES KATRINA AND RITA

THIS YEAR, ONE THING BECAME QUITE CLEAR: WHERE THERE IS A NEED, NRG
EMPLOYEES MOBILIZE TO HELP. AND, TOGETHER, WE CAN HELP EVEN MORE.



LEADING THE WAY IN UNCHARTED WATERS

to help the NRC deal with these and other challenges in the coming years and avoid another invasion of killer algae.

There are still many challenges.

At the same time, the NRC is also working to address other challenges. For example, the NRC is working to address the issue of water quality in the San Diego area. The NRC is also working to address the issue of water quality in the San Diego area.

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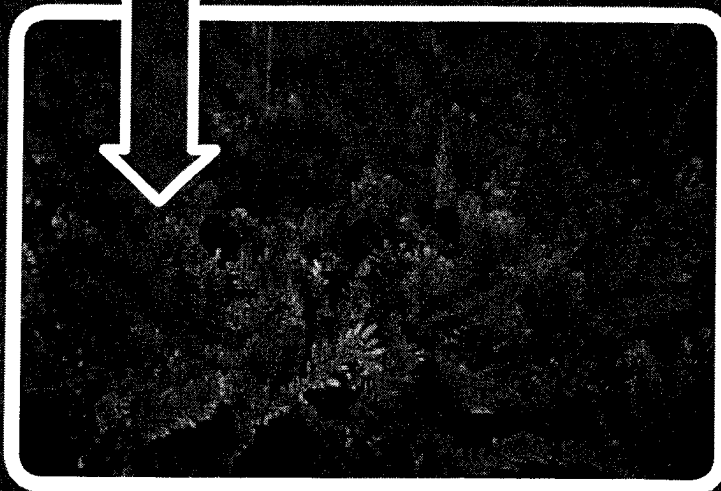
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CARLSBAD, CALIFORNIA
ENCINA



CAULERPA TAXIFOLIA, A HIGHLY INVASIVE SALTWATER AQUARIUM PLANT, DISPLACING A NATIVE EELGRASS BED IN AGUA HEDIONDA LAGOON.

GOING THE EXTRA MILE

AS WE JOURNEY WHERE OUR WORK TAKES US, WE MAKE IT A POINT TO GIVE BACK REGULARLY. AND USUALLY THE BEST PLACES TO HELP ARE RIGHT OUTSIDE OUR WINDOWS. HERE ARE JUST A FEW WAYS WE'RE HELPING:

BY LAND

This past March, NRG's El Segundo team spent the day planting trees on a highway median near the Los Angeles Airport as a part of the area's annual "Trees to the Sea" campaign. The El Segundo team is also caring for the sponsored trees and will continue to do so during their critical first three years of life.

BY AIR

Several years ago, when a pair of ospreys began settling on a power line near NRG's Norwalk Harbor Station in Connecticut, workers feared that the once-scarce birds would be electrocuted. So an NRG team built an alternate platform and helped move the nest. Since then, the ospreys have returned every year. This past season, a new, younger pair of ospreys began showing interest in one of the other three platforms NRG has built—and hopes are high that they will soon begin their own family. These ospreys are now part of more than 350 birds in the state, up from only a couple dozen 30 years ago.

BY SEA

Ospreys aren't the only ones thriving at NRG's Norwalk Harbor Station. Sharks are, too, and on our land. When the nearby Maritime Aquarium needed a new salt-water holding tank to help sharks and large fish acclimate before being transferred to the aquarium, NRG donated the land, the labor, the electricity and nearly the entire cost for the 31,000-gallon holding tank and had it built right near the water's edge.

BOARD OF DIRECTORS

Howard Cosgrove **Nonexecutive Chairman**

Audit Committee

Nuclear Oversight Committee

Retired Chairman and Chief Executive Officer of Conectiv and its predecessor, Delmarva Power and Light, Chairman of the Board of Trustees at the University of Delaware

John Chlebowski

Audit Committee (Chair)

Governance and Nominating Committee
Nuclear Oversight Committee

Retired President and Chief Executive Officer of Lakeshore Operating Partners, LLC; Director for Laidlaw International Inc.

Lawrence Coben

Compensation Committee (Chair)

Nuclear Oversight Committee

Chairman and Chief Executive Officer of Tremis Energy Acquisition Corporation; Director for Prisma Energy

Stephen Cropper

Compensation Committee

Commercial Operations Oversight Committee (Chair)

Nuclear Oversight Committee

Retired President and Chief Executive Officer of Williams Energy Services; Director for Berry Petroleum Company, Sunoco Logistics Partners LP, Rental Car Finance Corporation and QuikTrip Corporation

William Hantke

Audit Committee

Nuclear Oversight Committee

Retired Executive Vice President and Chief Financial Officer of Premcor, Inc.

Paul Hobby

Commercial Operations Oversight Committee

Nuclear Oversight Committee

Managing Partner of Genesis Park LP; Chief Executive Officer of Alpheus Communications, Inc.; Former Chairman of CapRock Services, Inc.; Director for EGL, Inc. and Stewart Information Services Corporation (Stewart Title)

Maureen Miskovic

Commercial Operations Oversight Committee

Chief Operating Officer of Eurasia Group

Anne Schaumburg

Audit Committee

Nuclear Oversight Committee

Retired Managing Director, Global Energy Group of Credit Suisse First Boston

Herbert Tate

Governance and Nominating Committee
Nuclear Oversight Committee

Corporate Vice President, Regulatory Strategy of NiSource, Inc.; Director for IDT Capital and IDT Spectrum

Thomas Weidemeyer

Compensation Committee

Nuclear Oversight Committee

Retired Senior Vice President and Chief Operating Officer of United Parcel Service, Inc.; Director for Goodyear Tire & Rubber Co. and Waste Management, Inc.

Walter Young

Governance and Nominating (Chair)
Nuclear Oversight Committee

Retired Chairman, Chief Executive Officer and President of Champion Enterprises, Inc.

*David Crane is also a Director and a member of the Nuclear Oversight Committee

EXECUTIVE OFFICERS

David Crane

President and Chief Executive Officer*

Robert Flexon

Executive Vice President and Chief Financial Officer

Caroline Angoorly

Vice President, Environmental & New Business

John Brewster

Executive Vice President, International Operations and President, South Central Region

Thad Hill

Executive Vice President, Corporate Business Development and Strategic Planning

Kevin Howell

Executive Vice President, Commercial Operations

James Ingoldsby

Vice President and Controller

Christine Jacobs

Vice President, Plant Operations

Curtis Morgan

Executive Vice President and President, Northeast Region

Timothy O'Brien

Vice President and General Counsel

George Schaefer

Vice President and Treasurer

Steve Winn

Executive Vice President and President, Texas Region

Stock Transfer Agent and Registrar

Wells Fargo Bank, N.A.

P.O. Box 64854

St. Paul, Minnesota 55164-0864

800.468.9716 or 651.450.4064

www.wellsfargo.com/shareownerservices

Stock Listing

NRG's common stock is listed on the New York Stock Exchange under the ticker symbol NRG.

Financial Information

NRG's Annual Report, Proxy Statement, Form 10-K and other SEC filings are available at www.nrgenergy.com under the Investors section.